

# ZAMBANKER

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A Bank of Zambia Journal

**E-BOP MONITORING  
SYSTEM SUCCESSFULLY  
IMPLEMENTED!**

**BOZ TO SPEARHEAD 2020  
FINSCOPE SURVEY**

**THE 2019 FINANCIAL  
LITERACY AWARDS**

**“BLACK TAX” – THE  
OTHER SIDE OF THE COIN**



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### Page 7: Statutory reserve ratio requirements raised

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### Page 8: BoZ hosts MPs

The Bank of Zambia (Bank) hosted a seminar for selected Members of Parliament (MP) from 1st to 4th November, 2019 at Avani Victoria Falls Resort in Livingstone. This was the eighth seminar the Bank was hosting for Members of Parliament. Such gatherings are among the avenues the Central Bank uses to interact with Legislators so that they can have deeper insight into its operations and the role it plays in the economy.



### Page 10: National Strategy on Financial Education II

The launch of the National Strategy on Financial Education (NSFE) for Zambia, 2019 to 2024 is a major milestone in the Bank of Zambia's drive towards equipping Zambians with sufficient knowledge to make prudent financial decisions, Central Bank Governor, Dr Denny Kalyalya has said.



### Page 11: The 2019 Financial Literacy Awards

Bank Governor, Dr. Denny Kalyalya, has applauded the 2019 financial literacy award winners for their active contribution to financial literacy in Zambia.



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"The Bank of Zambia (BoZ) reaffirms its commitment to ending Gender Based Violence (GBV) and stands with the people and Government of Zambia who are condemning all forms of violence and recognising the overwhelming burden of violence against women and girls, men and boys," Deputy Governor-Administration, as she then was, Dr Tukiya Kankasa-Mabula, has said.



Bank of Zambia

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

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#### Mission:

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



# e-BoP monitoring system successfully implemented!

By Zambanker Reporter

**The Bank of Zambia has commenced the full implementation of the electronic Balance of Payment (e-BoP) monitoring system. The launch of the e-BoP System was effected following the Bank's issuance of Commercial Bank Circular No.09/19 of 23<sup>rd</sup> October 2019, which announced that commercial banks had to start using the e-BoP System on 2<sup>nd</sup> December 2019.**

Consistent with the provisions of the said Circular, submission of validated balance of payments transactions data will commence on 9<sup>th</sup> January 2020 (6<sup>th</sup> working day after the end of the month in which the transactions occurred) for all transactions that were processed in December 2019.

The Bank of Zambia's e-BoP Monitoring System is not an isolated effort. It is being implemented in line with the Southern African Development Community (SADC) directive to all member countries' central banks to implement appropriate cost effective systems that facilitate reporting of balance of payments information from commercial banks to central banks in a standardised format in order to harmonise BoP reporting in the SADC region.

In designing and customising the e-BoP system, efforts were made to ensure consistency with the development of an electronic balance of payments platform at SADC level, under the auspices of the SADC secretariat.

This entailed, for example, ensuring that there is consistency in the codes used to

identify BoP transactions.

All SADC central banks are expected to utilize harmonised and agreed balance of payments purpose codes to ensure that all commercial banks provide the same type of information and that all central banks analyse the same type of data. Further, it ensures and enables straight through processing and settlement and facilitate statistical analysis and comparisons within the SADC region.

The system will enable commercial banks and other financial service providers to submit timely BoP transactions to the Bank on a real-time basis. For a transaction to qualify as a balance of payments item, one party to the transaction has to be resident outside Zambia. Therefore, all transactions between parties resident in Zambia are not balance of payments regardless of the currency used to settle them as no outflows or inflows of funds are recorded in such transactions. Also excluded are transactions by diplomatic missions in Zambia when they receive and send out funds. This is because at law, a diplomatic mission is not part of

Zambia. However, when a diplomatic mission in Zambia procures goods and services in Zambia, that would constitute a balance of payments transaction and therefore reportable under the e-BoP system.

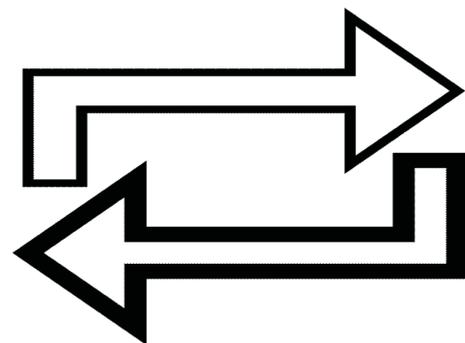
The electronic balance of payments system which has been introduced will enable commercial banks and other financial service providers to submit daily cross-border transactions data to the Central Bank electronically to enhance the compilation of balance of payments statistics.

The advantages of an electronic BoP System are that it enhances economic policy which depends on regular compilation of data from economic activities taking place in the economy. Among such activities are receipts from exports and payments for imports of goods and services by the economy concerned. Also important are financial inflows and outflows from inward and outward investments, borrowings and loan repayments by both government and the private sector; remittances of funds into Zambia and out of Zambia by non-residents and residents, respectively.

Further, accurate and timely capture of data of BoP transactions helps in understanding how a country is faring in its economic and financial relations with the rest of the world over a period of time. In this regard, the e-BoP system is aimed at improving the accuracy of balance of payments statistics and enhancing efficiency in the foreign exchange market. Further, the e-BoP will complement accuracy of BoP statistics, help shape more informed policy decisions on economic management, and is an essential element in identification and combating money laundering activities and illicit financial flows.



Copper loaded on a truck for export!



For a transaction to qualify as a balance of payments item, one party to the transaction has to be resident outside Zambia.

## Policy Rate adjusted upwards by 125 basis points to 11.50%

The Monetary Policy Committee (MPC), at its November 18 – 19, 2019 Meeting, decided to raise the Policy Rate by 125 basis points to 11.50%. Inflation is now projected to remain above the upper bound of the 6-8% target range over the entire forecast horizon with some of the upside risks identified in our previous MPC Statements materialising. The decision to raise the Policy Rate is therefore intended to counter inflationary pressures that include exchange rate pass-through effects and bring inflation back to the target range in the medium-term and hence support overall macroeconomic stability.

The Committee recognises that to address the prevailing economic challenges, monetary policy actions alone are not sufficient. They need to be complemented by the implementation of corrective measures by fiscal authorities and other key public policy makers.

Moreover, implementation of measures that address high fiscal deficits, debt levels, and debt service, as well as liquidity constraints and dismantling domestic arrears remains critical to maintaining overall macroeconomic stability and attaining sustainable economic growth.

Decisions on the Policy Rate will continue to be guided by inflation forecasts and outcomes, identified risks, and progress in the execution of fiscal consolidation measures. The Committee may further adjust the Policy Rate upward, if inflation persistently remains above the target range.

## BoZ proposes changes to Bill 10

The Bank of Zambia (The Bank) has clarified that the proposed provisions relating to the Central Bank were motivated by the Bank itself. The Bank is of the view that the Constitution should only contain broad constitutional principles which are operationalised through detailed legislation passed through Parliament.

The Bank did, in this regard, submit proposals for amendment of the Constitution regarding the Central Bank's functions to be restricted to the primary function, while additional functions, objectives and powers continue to be subject of an Act of Parliament as envisaged under Article 215 of the Constitution of Zambia, Act No. 2 of 2016.

In a statement issued on 4<sup>th</sup> December, 2019, the Bank explained that it has since submitted to the Government that its primary function be to formulate and implement Monetary Policy.

This submission is consistent with best practice on central banking and also complies with the SADC Model Law for Central Banks, which stipulates that all Central Banks in the region should move towards adopting a single primary objective.

The Bank will thus continue to supervise the financial sector as well as print and issue currency of the Republic of Zambia through enabling provisions in the Bank of Zambia Act, Chapter 360 of the Laws of Zambia and the Banking and Financial Services Act No.7 of 2017.

The clarification was made following numerous social media reports suggesting that the proposed Constitution of Zambia (Amendment) Bill No. 10 of 2019 seeks to take away some of the powers vested in the Central Bank such as supervising the financial sector and printing of the currency. The said social media reports allege that the powers being

taken away will now be performed by the Central Government through Cabinet.

## FMO high level stakeholder consultative meeting with Bank of Zambia and market players

The Bank of Zambia will in March 2020 facilitate the **FMO High Level Stakeholder Consultative Meeting** with commercial banks, selected micro finance institutions, and financial technology companies. The meeting is critical to the Bank of Zambia as it will complement the Bank and the Zambian Government's programmes that are aimed at stimulating sustainable private sector led financing.

The meeting will provide useful information on available financing options on the market, particularly, FMO and other stakeholders' roles in supporting private sector growth through SMEs and women-led organisations.

## Operationalisation of the Credit Reporting Act

The Bank of Zambia is in the process of developing subsidiary Rules and Regulatory Statements under the Credit Reporting Act. The Rules and Regulations will be availed to stakeholders in due course. The Credit Reporting Act came into effect on October 17, 2019 following the publication of a commencement order (Statutory Instrument No. 70 of 2019), which was signed by the Minister of Finance.

## Institutions under liquidation

Following the possession of Pan African Building Society (PABS) and Zampost Microfinance Limited (ZMFL) on 19th July 2019, the Bank of Zambia prepared Statements of Affairs of Assets and Liabilities for the two entities which determined that the entities were indeed insolvent. In line with section 127(2) of the Banking and Financial Services Act (BFSA), on 17th October 2019, the Bank of Zambia placed PABS and ZMFL into compulsory liquidation.

During the liquidation period, activities of the two institutions will be restricted to realisation of assets and discharging of the institutions' obligations. The Bank of Zambia has since appointed a Liquidation Manager to oversee the activities of the liquidation process.

## Women's financial inclusion

The African Development Bank and the Government of Rwanda hosted the 2019 Summit on Women's Financial Inclusion from 25th to 28th November 2019. Highlights from the Summit included the launch of: the risk-sharing facility for the Bank-led **Affirmative Finance Action for Women in Africa (AFAWA)** programme. This seeks to close the *gender gap* by facilitating access to finance, providing technical assistance, and creating an enabling business environment for women-led businesses; 50 Million African Women Speak - a new Pan-African networking platform to directly connect 50 million African women entrepreneurs and also link women to financial institutions; and the joint United Nations Economic Commission for Africa (UNECA)-African Development Bank Africa Gender Index - a report that assesses African countries on gender equality.

# BoZ to spearhead 2020 Finscope Survey

By Godwin Sichone

The Bank of Zambia will spearhead the conduct of the 2020 FinScope Survey. The survey is conducted every 5 years and this will be the fourth cycle, with previous surveys having been conducted in 2005, 2009 and 2015. The survey will be conducted in collaboration with the Zambia Statistics Agency at an estimated cost of US\$756,000.00.

FinScope is a nationally representative survey on the demand, access and use of financial services by the country's adult population. In addition to looking at the demand and usage of financial services, the survey looks at the attitudes, behaviour, quality of life and consumption patterns of adults. This tool was developed by FinMark Trust, which is an independent company based in South Africa and established in 2002 with the objective of making financial markets work for the poor by promoting financial inclusion and regional financial integration.

The main indicator measures the level of financial inclusion. From the 2015 survey, overall financial inclusion was estimated at 59.3%. From the same survey, results showed that 38.2% of adults were formally included while 37.9% were informally included. Analysis of the data by sex showed that males were more financially included (61.2%) than their female counterparts (57.5%).

The above findings provided the baseline for the implementation of the National Financial Inclusion Strategy (NFIS), whose overall goal is to increase the level of financial inclusion from 59.3% to 80% by 2022. The NFIS also targets to increase financial inclusion amongst women from

57.5 in 2015 to 80% by 2022. This year's survey therefore presents a great opportunity to measure progress that has been made so far towards achieving the set targets. It will also be a key source of information that will help policy makers, financial service providers, researchers and other financial sector stakeholders develop appropriate interventions aimed at addressing bottlenecks to financial inclusion and financial sector development as a whole.

The survey questionnaire is administered to a sample of adults aged 16 years and above. According to population projections by the Zambia Statistics Agency (ZSA), Zambia's current adult population is 9.3 million.

For this survey, 12,990 adults will be interviewed. The sample size was scientifically determined using the formula below:

$$\text{Sample Size} = \frac{z^2 \times p(1-p)}{e^2} \div \left( 1 + \frac{z^2 \times p(1-p)}{e^2 N} \right)$$

Where:

Z= Z score; e= Margin of error; P= Proportion of adults who are financially include; and N= Total adult population



The survey will employ probability sampling procedures by using a multi-stage, stratified cluster sample design. This design will ensure that all adults have an equal chance of being included in the sample. In the first stage, 866 enumeration areas will be selected. The average size of an enumeration area is 150 households. In the second stage, 15 households will be selected from each enumeration area. During the last stage, one eligible adult will be selected from each selected household. Data will be collected using CAPI (computer assisted personal interviewing), an interview technique in which responses are gathered using a computer (tablet) with a questionnaire in electronic form. This method reduces turnaround time between data collection and dissemination and also ensures data quality and integrity.

The FinScope survey is multi-stakeholder undertaking. In this regard, the Bank of Zambia is receiving financial, technical and logistical support from the following partners: Association of Microfinance Institutions of Zambia (AMIZ); Bankers Association of Zambia; Financial Sector Deepening Zambia (FSDZ); FinMark Trust; German Savings Banks Foundation for International Cooperation (SBFIC); Ministry of Finance; Pensions and Insurance Authority (PIA); Rural Finance Expansion Programme (RuFEP); Securities and Exchange Commission (SEC); United Nations Capital Development Fund (UNCDF); Zambia Institute for Policy Analysis and Research (ZIPAR) and Zambia Statistics Agency (ZSA).

## Timeline of activities

Activity	Timeline
Instrument Design Workshop	27 – 31 January 2020
Pre-testing of Survey Instruments	13 – 14 February 2020
User Producer Consultative Workshop	26th February 2020
Trainer of Trainers Workshop	2 – 7 March 2020
Training of Data Collectors	15 – 28 March 2020
Data Cleaning, Tabulation and Analysis	3 – 13 May 2020
Main Fieldwork	1 – 18 April 2020
Report Writing	18 – 23 May 2020
Report Editing	1 – 8 June 2020
Printing of Reports	July 2020
Launch of Survey Findings	September 2020

# Zambia remains an ideal investment destination

*By Zambanker Reporter*

**Bank of Zambia Governor, Dr Denny Kalyalya has said Zambia remains an ideal investment destination for both domestic and foreign investors. Speaking during the 12<sup>th</sup> dissemination workshop of the 2019 Survey on Foreign Private Investment and Investor Perceptions in Zambia, Dr Kalyalya said Zambia's strategic location in Southern Africa with an integrated market access and linkage to domestic and regional markets, abundant natural resources and labour are among some of the key attractions to foreign direct investment.**

The Governor further noted that peace and security, political stability, a relatively stable macroeconomic environment and the ease of doing business continued to feature prominently as the main motivating factors for investing in Zambia among other factors. He has also revealed that Zambia's membership to the African Continental Free Trade Area (AfCFTA) is likely to reap benefits from increased market access, technology transfer, and access to finished goods.

Regarding the Survey findings and consistent with global trends, Dr Kalyalya stated that there was a slow-down in foreign direct investment inflows into Zambia.

The outturn was largely due to retained losses mostly in the mining sector. This resulted in an increase in borrowing from foreign affiliates to support the operations of enterprises. In addition, equity flows improved following mergers and acquisitions in the mining and agriculture sectors, with net equity inflows in 2018 rising to around US\$265 million compared

to a net outflow of US\$100 million in 2017. Dr. Kalyalya indicated that developments in the agriculture sector boded well for the country's economic diversification agenda. Accordingly, the stock of FDI liabilities increased by 6.5 percent to US\$21,443.6 million. The stock of private sector external debt also rose to US\$14,046.0 million at end-2018 from US\$12,830.8 million at end-2017. The mining and quarrying sector received the most flows, with Switzerland being the major source of external debt.

"Turning to sectoral performance, in 2018, at around US\$275 million, the manufacturing sector was the leading recipient of net FDI liability flows. However, the inflows declined by 21 percent, largely due to losses of almost US\$9 million recorded in the sector. Despite recording a marginal drop, deposit-taking institutions were the second highest recipient of FDI, registering about US\$160 million in 2018. The third and fourth largest recipients of FDI were mining and information, communication

and technology sectors which recorded receipts of US\$130 million and US\$120 million, respectively," he said.

He stated that FDI flows were lower at US\$413 million in the first half of 2019 compared to US\$434 million in the corresponding period in 2018. This outturn was explained by a decline in profitability resulting in losses of almost US\$33 million, mostly in the mining sector compared to retained earnings of about US\$210 million.

Further, private sector foreign asset flows decreased marginally in 2018 to US\$645 million from US\$667 million in 2017. This was mainly on account of a reduction in currency and deposits by deposit-taking corporations and mining sectors. However, the stock of private sector foreign assets rose by 15 percent to US\$5.1 billion, on account of a 23 percent increase in the *other investment* category to US\$3.2 billion. Similarly, the stock of assets for FDI increased by 2 percent to US\$1.7 billion in 2018.



# Statutory reserve ratio requirements raised

By Zambanker Reporter

The Bank of Zambia has increased the Statutory Reserve Ratio (SRR) applicable on commercial bank's Kwacha and foreign currency deposit liabilities. Effective 23<sup>rd</sup> December, 2019, commercial banks will be required to hold 9 percent of their deposit liabilities as statutory reserves with the Bank of Zambia from the current level of 5 percent. In addition, banks will be required to maintain the statutory reserve requirements on a daily basis as opposed to the current weekly compliance basis.

In a press statement issued on 9<sup>th</sup> December, 2019, Acting Head of Communications, Ms Besnat Mwanza said the change in the statutory reserve requirements has been necessitated by the threats to inflation that recent developments in the foreign exchange market pose.

"In particular, this development imposes significant costs to the economy and the public at large through its adverse impact on inflation, which if left unchecked, will eventually erode citizens' income and welfare. This is more so for individuals who have fixed incomes and have no means or mechanisms of hedging themselves against these shocks," she explained.

Ms Mwanza explained that the exchange rate has in recent periods depreciated due to increased demand for foreign exchange related mainly to financing requirements for fertilizer, petroleum and electricity imports. Ordinarily, movements in the exchange rate should fundamentally reflect supply and demand factors. However, a consistent movement in a single direction, particularly towards continued depreciation, tends to trigger defensive mechanisms among businesses and others with the capacity to hedge themselves.

These measures, together with the raising of the Policy Rate to 11.5 percent and the rate for the Overnight Lending Facility (OLF) to 28 percent last month, are aimed at restoring and fostering stability of the foreign exchange market. This is imperative for the Bank to achieve its inflation objective and support macroeconomic stability in general. "To ensure that macroeconomic stability is attained, we wish to appeal to all stakeholders, public and private alike, to perform their respective duties to the fullest extent possible. For the Bank, it shall continue to monitor developments in the macroeconomic environment and stands ready to take any other action as it deems appropriate," she said.



## 2020 Calendar for MPC Meetings

	Date of MPC Meeting	Media Briefing
1	Monday – Tuesday, February 17 – 18, 2020	Wednesday, February 19, 2020
2	Monday – Tuesday, May 18 – 19, 2020	Wednesday, May 20, 2020
3	Monday – Tuesday, August 17 – 18, 2020	Wednesday, August 19, 2020
4	Monday – Tuesday, November 16 – 17, 2020	Wednesday, November 18, 2020



# BoZ hosts MPs

By Zambanker Reporter

**The Bank of Zambia (Bank) hosted a seminar for selected Members of Parliament (MP) from 1st to 4th November, 2019 at Avani Victoria Falls Resort in Livingstone. This was the eighth seminar the Bank was hosting for Members of Parliament. Such gatherings are among the avenues the Central Bank uses to interact with Legislators so that they can have deeper insight into its operations and the role it plays in the economy.**

The topics discussed included: recent macroeconomic developments in Zambia; developments in the financial sector vis-à-vis consumer protection and awareness; financial inclusion and the effect of money laundering on the financial sector. Meanwhile, Clerk of the National Assembly Ms Cecilia Mbewe has thanked the Bank for hosting a seminar for MPs, which was aimed at keeping them abreast with key macroeconomic and financial sector developments as well as providing them with general information on the operations of the Bank. Ms Mbewe said from the National Assembly of Zambia's point of view, these seminars play a dual role. Firstly, they enable the Members of Parliament to understand and appreciate the factors underlying monetary and financial system supervisory

policies and secondly, they enable the technocrats in the Bank to engage the MPs so as to better understand the aspirations of the Zambian people who they represent. Ms Mbewe further observed that it was even more important for all relevant stakeholders to collaborate and play their respective roles fully so as to quickly get the country back on the path of growth and prosperity, in light of the economic challenges the country was facing. She was confident that the engagement between the legislators and the central bank at such a critical time would provide the MPs with up-to-date economic information and trends, through various expert presentations. Ms Mbewe called for more similar engagements in the interest of the economic well-being of the country. "The focus of all these seminars, including the

current one, fits squarely into the capacity enhancement of the National Assembly of Zambia, as espoused in its Strategic Plan for the period 2015 to 2019. It is gratifying to the National Assembly that the topics that were selected for the Seminar were matters which closely affected the lives of all Zambians represented by the Members of the House," she said.

She also stated that the Committee on National Security, Trade and Labour Matters had resolved to consider "Financial Inclusion" as a topical issue during the Fourth Session of the Twelfth National Assembly. This includes the use of mobile platforms in facilitating financial transactions.

"Needless to say, it is important for the Members of Parliament to be very familiar with these issues if they are to perform their representative, legislative and oversight roles effectively," Ms Mbewe added.

Speaking at the same function, Livingstone Central Member of Parliament Honourable Mathews Jere said the poor rainfall pattern has negatively affected the city's tourist attractions especially Zambia's crown jewel, the Victoria Falls. Hon. Jere said Livingstone has directly felt the impact of climate change and residents were looking forward to the implementation of climate change mitigation measures, which would enable communities adopt alternative livelihoods.

The Livingstone lawmaker said this when presenting his welcoming remarks to the Members of Parliament (MPs). Hon. Jere said despite the challenges faced, he could not over-emphasise the splendor of Livingstone. He urged his fellow MPs to visit some of the tourist sites and sample the warm hospitality that the city offers. "I guarantee that you will not be disappointed," he concluded.

In welcoming the MPs to the seminar, Bank of Zambia Governor Dr Denny Kalyalya said the Bank was delighted to host them in Livingstone as a way of supporting the tourism industry, which is one of the country's priority growth sector. He, however, mentioned that this time around, there was an added dimension considering that Zambia was experiencing one of the



worst droughts in recent memory, which had resulted in a rare phenomenon: the drying up of the mighty Victoria Falls. He hoped this would enable participants draw important lessons for a sustainable future of the country.

The Governor stated that the Bank of Zambia highly valued these series of seminars as they provided a unique opportunity to interact with legislators, so that they could gain deeper insight into the operations of the Bank and the role it plays in the economy. It was the Bank's belief that for legislators to be effective, they need to have deeper appreciation of the Bank's mandate and operations as well as key measures it implements to fulfil its mandate.

Dr Kalyalya reiterated the Bank's role as outlined in its Mission Statement, which is, ***"To achieve and maintain price and financial system stability to foster sustainable economic development."*** The Bank understood fully well that price and financial system stability were not ends in themselves but means to attaining sustainable development, which the Honourable Members were also striving to achieve. The Bank recognised that achievement of price and financial system stability required concerted efforts of other key decision makers, particularly, fiscal authorities and structural reform policy makers including Members of Parliament.

Macroeconomic stability, as reflected principally in low and stable inflation, low and sustainable fiscal deficit, and stable exchange rate, is a key prerequisite for achieving sustainable economic growth and poverty reduction, both of which are paramount to the development of the country. In the same vein, a stable financial system does not only facilitate the effective implementation of monetary policy, it also assists in the efficient and effective channelling of resources from savers to investors.

The BoZ chief said the seminar was being held at a time when the Zambian economy was faced with significant challenges. Economic growth had declined sharply in

recent years and was projected at 2.0% in 2019 from 3.7% in 2018. Many factors were responsible for the reduced and constrained growth in the immediate and medium term, including the following: lower than expected agriculture performance due to, among other things, erratic rainfall pattern; subdued mining sector output arising from disruptions in operations at some major mines and discontent about the prevailing mining sector fiscal regime; liquidity challenges occasioned by elevated external debt service and rising domestic arrears and hence, subdued credit to the private sector, particularly to the productive sector; reduced electricity supply and; the general rise in the cost of doing business.

There has been a build-up of inflationary pressures in recent months owing mainly to higher food prices, driven by the lower agriculture output in the 2018/19 farming season. This resulted in inflation breaching the upper bound of the 6-8% target range in May to 10.7% in October 2019. In addition, electricity rationing added to the cost of production and was filtering through to prices of goods and services. Inflation was projected to remain above the 8% upper target limit in the medium term, if no corrective policy actions were taken.

Dr Kalyalya added that the country's high debt position remained a major concern. "The elevated debt position and the continued high external debt service payments have resulted in the depletion of international reserves. As at end-August 2019, international reserves stood at US\$1.5 billion (equivalent to 1.8 months of import cover) from US\$3.0 billion (representing 3.5 months of import cover) in December 2015," he said. To moderate the depletion of reserves, the Bank of Zambia has been buying foreign exchange from the market and receiving mineral royalty payments in foreign currency directly from the mining companies.

The reduced reserves do not offer the necessary buffer against external sector shocks. The financing of the fiscal deficit from the domestic financial market has also

continued to put undue pressure on interest rates, thereby crowding out the flow of credit to the private sector.

"In light of the above challenges, fiscal consolidation, through implementation of appropriately tight expenditure controls, increased revenues, and halting contraction of non-concessional debt and accumulation of domestic arrears is a critical imperative to minimise macroeconomic vulnerabilities," the Governor said.

Dr Kalyalya said monetary policy will continue to focus on achieving and maintaining inflation within the target range of 6 – 8 % over the medium term. To do this, the Bank of Zambia will continue to rely on the forward looking monetary policy framework anchored on the Policy Rate as a key signal of the monetary policy stance. The policy rate is intended to influence and stabilise the overnight interbank rate, which, in turn, is expected to affect lending rates and ultimately inflation.

The discussions held during the seminar covered a variety of issues the Bank was involved in. The Governor hoped that the interaction between the MPs and BoZ staff would clarify many of those issues and assist in dealing with future legislation affecting the Bank. Key focus issues were:

- Recent Macroeconomic Developments;
- Developments in the Financial Sector, more specifically issues around Consumer Protection and Awareness and Financial Inclusion;
- Financial Technology (Fintech) Developments in Zambia;
- Effects of Money Laundering on the Financial Sector;
- The Bank of Zambia Bill; and
- The National Payments Systems Bill.

Dr Kalyalya appealed for the MPs' support when the bills/acts are tabled before Parliament for consideration. He thanked them for finding time off their busy schedules to attend the seminar. He also expressed appreciation to the Clerk of the National Assembly for the collaboration in organising this seminar.



# National Strategy on Financial Education II

*Synergising efforts in spreading financial literacy*

By Zambanker Reporter

**The launch of the National Strategy on Financial Education (NSFE) for Zambia, 2019 to 2024, is a major milestone in the Bank of Zambia's drive towards equipping Zambians with sufficient knowledge to make prudent financial decisions, Central Bank Governor, Dr Denny Kalyalya has said.**

The primary objective of the new Strategy is to empower Zambians with knowledge, understanding, skills and confidence to help them secure positive financial outcomes for themselves and their families. Speaking at the launch, Dr Kalyalya said the new strategy incorporates lessons learnt from the first phase, the World Bank Zambia Financial Inclusion Support Framework (FISF) Country Support Programme, the 2017 World Bank Financial Capability Study for Zambia as well as inputs from other stakeholders.

He explained that the new strategy is a demonstration of Government's commitment towards the realisation of financial education for all. He said it is gratifying to note that stakeholders and implementing partners had embraced the National Strategy on Financial Education and incorporated it into their activities.

"At the same time as we believe that many Zambians have become familiar with financial literacy terminologies, including such concepts as savings, insurance, investment, entrepreneurship and financial

planning, integration of financial education in the school Curriculum in both primary and secondary schools, is an assurance that future generations will have financial management knowledge early in their lives," he said.

He added that the translation of financial education messages into local languages, namely, Nyanja, Bemba, Lozi, Tonga, Lunda, Luvale, and Kaonde has also helped many individuals comprehend the subject.

The Governor observed that the distribution of piggy-banks, which to many, symbolize concepts of personal finance and the launch of a variety of savings products were helping citizens embrace financial education. He added that there was urgent need to develop financial education materials that can easily be understood by all to extend the outreach and awareness of financial education.

He thanked the Ministry of Finance for entrusting the Bank of Zambia with the responsibility of championing and coordinating the implementation of Phase I of the National Strategy on Financial

Education. He also thanked the institutions that partnered with the Bank and supported implementation of the National Strategy on Financial Education. The said institutions include: - Ministry of General Education, Ministry of Higher Education, Provincial Ministries, Curriculum Development Centre, Embassy of Finland, World Bank, United Nation International Children's Emergency Fund - United Nations Capital Development Fund - FinMark Trust, the UK Department for International Development (DFID), the Financial Education Fund, Child and Youth Finance International, Rural Finance Expansion Programme, Financial Sector Deepening Zambia, the German Savings Bank for International Cooperation, Non-Governmental Organisations, financial education providers and the Media, as well as financial services providers and financial sector associations from all sectors.

The Ministry of Finance launched the first phase of the National Strategy on Financial Education for Zambia with the long term goal of having a financially educated Zambian population by 2030 in line with the National Vision 2030, in July 2012. Since then, financial education has become an integral component of Zambia's financial sector policies and is being undertaken through phases of successive 5-year programmes that will end in 2030. Phase I of the financial education strategy was conducted under the Financial Sector Development Plan, 2012 to 2017; and Phase II is being launched today under the auspices of the National Financial Inclusion Strategy.

The key focus areas of the first phase included the: development and distribution of a wide variety of financial education content and materials (booklets, brochures, posters, videos, piggy banks, radio programmes); - collaborative partnerships amongst stakeholders in conducting financial education for all target groups (children, youth adults, SMEs and farmers), including the use of training of trainers (ToT) methodologies for greater outreach; integration of financial education in the school curriculum, out-of-school youth programmes and extra-curricular activities; - conducting public awareness campaigns through the Financial Literacy Week, Insurance Week, Investor Week, Pensions Week and the World Savings Day; - Achievement Awards from the Child and Youth Finance International; and - introduction of financial education awards for stakeholders in Zambia.

The major challenges of phase one include: staffing and funding constraints to achieve full implementation; - limited outreach of financial education programmes to target groups, such as, the youths in institutions of higher learning and adults in work places; and-inability to implement a monitoring and evaluation system.



# The 2019 Financial Literacy Awards

**By Zambanker Reporter**

Bank Governor, Dr. Denny Kalyalya, has applauded the 2019 financial literacy award winners for their active contribution to financial literacy in Zambia. Speaking during the 2019 Financial Literacy Award ceremony, Dr Kalyalya reminded the winners that following the launch of the National Financial Inclusion Strategy in 2017, new informal financial service providers have emerged, such as, village banks and savings groups in both the rural and urban areas, who needed to be reached.

He explained that it is important to seek effective ways of linking both formal and informal financial service providers as they are agents of financial inclusion. He said the end result of reaching out to the two is reducing informality and thereby expand financial inclusion.

He also urged members of the public to select and demand appropriate formal financial products for key life events such as births, education and health, and to be aware of the obligations and responsibilities associated with the products.

This year's awards took place at InterContinental Hotel in Lusaka on October 31, 2019, which was also World Savings Day. The awards are held to recognise individuals or institutions that consistently provided exceptional financial literacy education in an innovative, creative, unique manner during the 2019 country-wide campaign which was commemorated under the theme 'Be Money Smart to Live a Better Life – Earn, Learn, Save and Invest'.

Dr Kalyalya thanked the Pensions and Insurance Authority, Securities and Exchange Commission, Bankers Association of Zambia; the Ministry of Finance, Rural Finance Expansion Programme, the German Savings Banks Foundation for International Cooperation, Financial Sector Deepening Zambia, NGOs and all the public as well as private sector organisations that have continued to support the stepped up national financial literacy campaigns since 2012.

The awards were given as follows:

No.	CATEGORY OF AWARD	CRITERIA FOR SELECTION	NAME
1.	INDIVIDUAL CONTRIBUTION TO FINANCIAL EDUCATION	Any person providing exceptional financial literacy education in an innovative, creative, unique manner. Person should show consistency and effort.	Muketoi Sibusiku Stella N Sata Mwaba Ngenda Maxwell Sichilongo Mwangala Mutau Caroline Handia
2.	OUTSTANDING THEME MESSAGING	Any Institution or educator that exceptionally interprets the Financial Literacy Week theme in their product promotion or initiatives.	ZISC Life AB BANK Zambia Revenue Authority Professional Insurance
3.	OUTSTANDING PERSONALITY	Any Chief Executive or Team Leader that <i>exceptionally</i> participates in the Financial Literacy agenda overall; including the Financial Literacy campaigns. Person should show commitment to Financial Literacy over a substantial period of time.	Mr. Leonard Jack Haynes Chief Executive Officer First National Bank Zambia
4.	EXCEPTIONAL FINANCIAL EDUCATION PROGRAMME	Any Institution that conducted an exceptional or large scale financial inclusion or literacy programme at: i. primary or secondary school; ii. tertiary institution (college, university); & iii. Community or workplace level.	ZANACO ZISC Life Barclays Bank Zambia Children International Zambia Natsave
5.	EXCEPTIONAL FINANCIAL LITERACY OUTREACH	Any Institution that has; i. The widest financial education reach (highest number of people countrywide) ii. A strong effort to increase outreach to various districts or provinces iii. A mix or variety of activities in the various districts or provinces. - Number of tv or radio programmes not listenership	ZANACO Professional Insurance Barclays Bank Zambia Camfed ZISC Life Atlas Mara Zambia
6.	FINANCIAL LITERACY FOOTPRINT	Any Institution that conducted a financial inclusion or literacy programme considered to have left a notable mark – a footprint.	ZANACO Zazu
7.	EXCEPTIONAL FINANCIAL LITERACY MEDIA REACH	Media Institution or personality that exceptionally interprets the Financial Literacy Themes in the promotion of the Financial literacy through: Print, electronic, and social media.	Money Fm Investrust Rodjious Wamuwi Stella Sata Altitude Advertisement Agency
8.	FINANCIAL LITERACY LEGACY	Any individuals, organisations or businesses whose purpose and heritage is ingrained in sustained financial literacy and capability, and whose reputation in doing so is held in high regard as to serve as a model (or flag carrier) for others in executing the work of supporting financial literacy and expanding opportunities through financial capability.	ZANACO Stanbic Bank Zambia
9.	OUTSTANDING INNOVATION	Any financial institution or individual, in line with the Financial Literacy campaign themes, that has introduced a new financial service or product, including artistic work (song, painting etc.) in line with the current Financial Literacy Themes or past themes.	Cgrate Zambia Stanbic Bank Zambia Ltd Atlas Mara First National Bank (FNB) Zambia Access Bank Zambia



# Government Securities operations for 4<sup>th</sup> Quarter 2019

## Primary market of GRZ securities

**The Zambian Government issues Fixed Income securities in the primary market to the general public. Treasury bills and Government bonds are called Fixed Income instruments because the issuer, who in this case is the Government, is obliged to make fixed payments to the holders of the instruments on fixed dates.**

These payment amounts and payment dates are already fixed at issuance and do not change during the life of the instruments. For Government securities, the primary market is where Government invites bids from the general public through auction tenders and issues the instruments to investors promising them cash payments at known dates. An investor participates in the primary market on their own account or through an agent such as a commercial bank. Bidding on the primary auction using a commercial bank is a primary market transaction and not a secondary market trade. It must be noted that the Government is obliged to pay the holder of an instrument at a payment date and not the initial holder because ownership of the instrument can change during the instrument lifetime. The instrument's lifetime is the period between the date instrument is issued and the date it is redeemed usually at maturity.

### Secondary Market of Government Securities

Once the securities are issued in the primary market through auction tenders, the holders of the instrument need not wait for the maturity dates to redeem their investments. Since a fixed income instrument has known payment amounts and dates, its value at any particular date before the payment date can be determined. Furthermore, the Government has an obligation to pay the holder of the instrument at a payment date and not the initial investor. This enables the instrument to be traded at any particular point during its life. In Zambia, Government bonds are listed on the Lusaka Securities Exchange (LuSE) and as such all trades need to be matched via the LuSE. Treasury bills on the other hand are not listed on the LuSE and are traded Over The Counter (OTC).

An investor participates in the secondary

market when they transact with a holder of an instrument other than the issuer.

**Look out for pricing mechanics of Primary and Secondary market instruments in the next issue.**

The following is a summary of Government Securities operations in Q4 2019.

### Treasury Bills (Tbills)

A total of ZMW 5.70 billion at cost was offered in Q4 2019 across six (6) Tbill auctions. The total bids received at cost amounted to ZMW 5.19 billion translating to an average subscription rate of 91% over the six (6) auctions conducted in Q4 thus representing an increase in the subscription rate compared to the average of 75% recorded in Q3. The total funds allocated at cost in Q4 amounted to ZMW 4.94 billion translating to an average uptake of 87% representing an increase compared to 69% uptake in Q3.

### Key observations on yield rate movements in Q4 2019

- There was no yield movements recorded on the 91 Days tenor in Q4 which remained the same as the closing yield in Q3 at 16.5002%.
- The yield rate on the 182 Days tenor rose by 25 basis points at end of Q4 to 19.2500% from 19.0000% as at end of Q3.
- The 273 Days yield rate rose to 26.9999% as at end of Q4 compared to 26.5001% as at end of Q3 representing an increase of 50 basis points.
- The yield rate on the 364 Days tenor was unchanged at 27.5001% across all the 6 auctions.
- The Weighted Average Yield Rate (WAYR) as at the end of Q4 rose by 27 basis points to 25.7266% from 25.4603% at the end of Q3.



### Government Bonds (GRZ bonds)

Three bond auctions were conducted in Q4 2019 with the total of ZMW 4.95 billion offered at cost and a total of ZMW 1.98 billion was received at cost representing an average subscription rate of 40% up from 35% in Q3. Of the ZMW 1.98 billion received at cost, only ZMW 1.16 billion was allocated representing an uptake of 23% in Q4 a decline compared to uptake of 27% recorded in Q3.

### Key observations on Govt bond yield rate movements in 2019

- There was no yield rate movement recorded on the 2- year tenor which was maintained at 29.5000% as at end of Q4 same as at end of Q3.
- The yield on the 3- year tenor in October dropped by 100 basis to 28.7500% from 29.7500% as at end of Q3. The yield rate however rose back to 29.7500% in the November and December auction.
- The 5- year yield rate rose by 100 basis to 33.0000% in Q4 from 32.0000% in Q3.
- The 7- year yield rate in Q4 was at 25.0000% across all auctions unchanged from end of Q3.
- The 10- year yield rate dropped by 450 basis to 23.5000% as at end of Q4 from 28.0000% in Q3.
- The yield rate on the 15- year rose by 900 basis points to 29.0000% end Q4 from 20.0000% in Q3.
- The WAYR in Q4 rose by 136 basis points to 31.1215% from 30.9393% in Q3.

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

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# Zambia in global recognition

By Zambanker Reporter

**Zambia has been identified by the Child & Youth Finance International (CYFI) as one of the pioneers promoting the development of child friendly bank accounts by financial institutions and considering adjusting the regulation requirements to ease access to basic, safe and reliable financial products to children and youth in the region.**

The number of child friendly products by commercial banks has risen from 5 to over 30 and counting since 2013 with the active support of BoZ and CYFI. In 2016, there was a nation-wide call to open accounts for all children and youths on the World Savings Day on 31 October 2016. As part of the launch event, BoZ Governor, Dr. Denny Kalyalya, with support from SBFIC & Bankers Association of Zambia hosted a Stakeholders Meeting for the CEOs from the financial sector to get consensus on the financial education sector in 2016.

CYFI is a global network that focuses on increasing the economic citizenship of children and youth. CYFI connects the world's largest Network of organisations within the field of Child and Youth Finance. This year, Zambia joined 180 countries to observe the World Savings Day, which fell on October 31st 2019 under the theme 'Savings Give life a lift'.

The World Savings Day was established more than 90 years ago to increase the public's awareness of the importance of savings both for modern economies and individuals alike. The World Savings Bank Institute WSBI, an organisation that represents the interests of over 6000 retail and savings banks across the globe, leads the conversation and promotes the World Savings Day. The World Savings

Day has been officially observed in Zambia at National level led by the Bank of Zambia, the Securities & Exchange Commission and the Pensions & Insurance Authority since 2014 and as part of the implementation of the National Strategy for Financial Education (NSFE).

In 2019, World Savings Day provided an opportunity for children, adults and youths to:

- LEARN about financial products for Key Life Events and how to select and create demand for them as well as the financial opportunities, challenges, obligations and responsibilities associated these products and services;
- SELECT appropriate financial products and services for Key Life Events. This entails the identification and assessment of the products in order to maximize the benefits accorded by using the right products;
- DEMAND appropriate financial products and services for Key Life Events. This entails the identification and assessment of the products in order to maximize the benefits accorded by using the right products.

*Key Life Events include Births, Education, Health, Marriage, Vehicle & Asset Purchase.*

The days leading to the 2019

commemoration created dialogue on savings among citizens, by leveraging the listenership of a local radio station-Hot FM's Morning Drive Time show. The slot was identified for its existing popularity among listeners who include school-going children between 8-15 years of age that call-in each morning to win various brand hampers.

The Savings Banks Foundation for International Cooperation led the initiative for the radio programme.

The Savings Banks Foundation for International Cooperation led the initiative for the radio programme. The said programme was supported by Access Bank Zambia, Zambia Industrial Commercial Bank Limited (ZICB), Stanbic Bank Zambia, AB Bank and National Savings and Credit Bank (NATSAVE) who each sponsored the slots and provided call-in winners with a K500.00 seed for a savings accounts.

In order to inspire the radio programme winners and encourage the conversation further among children and youths, Dr. Denny Kalyalya, who serves as National Champion for Financial Education, hosted the young winners and invited Senior Executives from sponsoring organisations to the Central Bank, where he emphasized the importance of the financial inclusion and financial education among children and young people.



# 'We stand with the people'

By Zambanker Reporter with additional reporting by Nelly Cheelo

**“The Bank of Zambia (BoZ) reaffirms its commitment to ending Gender Based Violence (GBV) and stands with the people and Government of Zambia who are condemning all forms of violence and recognising the overwhelming burden of violence against women and girls, men and boys,” Deputy Governor-Administration, as she then was, Dr Tukiya Kankasa-Mabula, has said.**

Speaking during a sensitisation programme for members of staff on GBV during the Sixteen Days of Activism, the Deputy Governor, as she then was, explained that the BoZ adopted a Sexual Harassment Policy in 2018 because of the seriousness it attaches to a sexual harassment free working environment. The said policy focuses on the prevention and management of sexual harassment at institutional level involving employees of the Bank and anybody involved in service delivery to the Bank to ensure that their rights are protected.

She said Management demonstrated its commitment to promoting a workplace that is free from sexual harassment and encourages reporting of all incidents of sexual harassment experienced by any individual as a result of his or her work in the Bank by formulating this policy. She added that the Bank is committed to promoting equality in the workplace by taking into account all reasonable measures to prevent incidents and deal firmly with any reports of sexual harassment.

She noted that there are overt and covert implications of sexual harassment to both the employee and the Bank. These implications include the generation of



psychological trauma, stigmatisation and self-blame, ridicule and isolation to the victim. This cause stress and poor work performance and impacts negatively on the wellbeing of employees, therefore the Bank is committed to the maintenance of a working environment that is free from fear, intimidation and sexual harassment.

“Familiarise yourselves with the relevant laws and the Bank’s sexual harassment policy to make informed decisions. Those that have been victims of GBV, in whatever form should ‘Speak out and find their strength.’ It does not matter how long ago it

happened, the circumstances under which it happened, or the status or the gender of the perpetrators. We will listen,” she said.

Zambia joined the rest of the world to commemorate Sixteen Days of Activism against Gender Violence as part of the global campaign to challenge violence against women and girls, men and boys from 25 November 2019 to 10 December 2019. The purpose of the commemoration was to raise awareness of the negative impact that violence and abuse have on women and girls, men and boys and the need to ensure that the rights of all are protected.

The 16 Days of Activism Against Gender Based Violence was commemorated under the theme **“Generation Equality Stands against Gender Based Violence”**. The Ministry of Gender localised the theme as **“Raising An Equality Conscious Generation Against Gender Based Violence”** with **Orange Colour Code** to show solidarity in the fight against Gender Based Violence. The Bank of Zambia institutional theme was: **“Promoting A Zero Tolerance Environment To Gender Based Violence”**.

The national theme entails that Generational Equality demands a sustainable future where women and girls



have equal rights and opportunities and that they can only effectively contribute to national development when agenda is premised as reflected in the National Gender Policy, the Vision 2030 and the 7<sup>th</sup> National Development Plan. To this effect, the theme calls upon everyone to take action today to secure a sustainable future by contributing to the reduction of GBV.

The 2019 commemoration focused on the following: dialogues and talks in schools, colleges and other institutions of learning to ensure that the young generation were sensitized and participated in activities such as drama, plays and speeches including promotion of sports activities as a means of recreation which will remove them from the position of being vulnerable; the use of social media and other platforms such as e-Governance and posters to raise awareness; encouraged Faith Based Organisations and community leader to have dialogue on issues of GBV within their organisations and communities; raise awareness by writing articles in Newspapers to promote good values and zero tolerance to GBV; use community radio stations for campaigns and involved of stakeholders in the commemoration.

A number of activities were lined up in the Bank spearheaded by the Human Resources and Strategy and Risk Management Departments.

Among them were the nomination of selected members of staff drawn from all departments to take part in the national event that was held at Prince Takamado

Primary School in Bauleni where the Minister of Gender, Honourable Elizabeth Phiri was the Guest of Honour. The Bank of Zambia Team was led by the then Director – Human Resources and now Deputy Governor – Administration, Mrs Rekha ChifuweMhango.

Other activities included displaying of banners and pop ups bearing anti GBV messages in strategic points around the Bank, airing of anti GBV messages on the BOZ Intercom, sensitization talks to members of staff by experts from the Zambia Police at both Head and Regional Offices as well as Consultation Desks for one-on-one talks on GBV.

The Constitution of Zambia has adopted human dignity, equity, social justice, equality and non-discrimination among its national principles. Furthermore, the Government has ratified a number of international and regional gender-related conventions and treaties and has developed and enacted several GBV-related laws, policies and plans. In particular, the 2011 Anti-GBV Act, the 2015 Gender Equality and Equality Act, the 2014 National Gender Policy and the National Strategy on ending Child Marriage 2016-2021.

Despite these efforts, GBV remains a challenge that will require more effort from everybody. Statistics released by the Zambia Police continue to show that GBV is on the rise despite the public's increased awareness of it and the enactment of laws such as the Anti-GBV Act, which was

formulated to protect the victims and punish offenders. Police records suggest that cases of the physical type of GBV such as unlawful wounding, assault, defilement and murder are on the rise.

Statistics from Zambia Police indicate that it dealt with 22,073 GBV cases in 2018 countrywide compared to 21,504 GBV cases in 2017; 6,788 in the third quarter of 2019 compared to 6114 cases in the same period in 2018. This shows an increase of 674 cases translating to 9.9% increase per quarter.

On the other hand, the Zambia Health and Demographic survey 2013-2014 stated that: 43% of Zambian women aged between 15-49 years have experienced physical violence since age 15, with current or former husbands/partners as the main perpetrators of physical, emotional and sexual violence; 45% of Zambian women aged between 25-49 were married by the age of 18 and close to 10% by the age of 15; a large percentage of GBV incidences are never reported and therefore never addressed; from all the women who had experienced any type of physical or sexual violence, only 43% of women sought help to stop the violence, 9% never sought help but told someone; and 42% did not seek help and never told anyone.

Out of the 6,788 total GBV cases recorded for 2019 third quarter, 4,025 victims of GBV were females translating to 59.3%, 1,266 were males translating to 18.7%, 1,253 were girls translating to 18.5 and 244 boys or 3.6% were boys.



# 2020 – A turning point year

*By Zambanker Reporter*

**Bank Governor, Dr Denny Kalyalya has commended members of staff for contributing to the realisation of the Bank's objectives in 2019 and further urged them to successfully move forward by embracing change and producing quality work on time. He said the year 2020 should be a turning point for everyone, to focus on the practicality of the BOZ WAY and fully embrace the Seven Habits of Highly Effective People in a practical way.**

The Governor said this during his town hall meetings with members of staff on 20<sup>th</sup> December, 2019 at Head Office and 23<sup>rd</sup> December, 2019 at Regional Office. He said this in reference to the new strategic plan which will cover the period 2020 – 2023 under the theme 'Building an Inclusive and Resilient Financial Sector.' The new strategic plan will concentrate on two focus areas namely: Financial Stability and Financial Inclusion.

In the area of financial stability, the Bank will strengthen both micro and macro prudential supervision while in financial inclusion, the Bank will strengthen leveraging of Digital Financial Services and partnership with relevant institutions to increase financial penetration and broaden territorial and population coverage.

Dr Kalyalya said financial resources were key in the implementation of the strategic objectives. Unfortunately, the Bank's income was declining while its needs were

expanding. He said this called for serious reflection and adoption of stringent measures to balance the budget.

The Governor said the 2016 – 2019 Strategic Plan which was coming to an end on 31<sup>st</sup> December 2019 had five main objectives in the areas of Monetary Policy, Financial System Stability, Financial Inclusion, Gender Mainstreaming, and Human Capital and Information & Communication Technology (ICT).

He highlighted some notable achievements during the 2016-2019 Strategic Plan as follows: Entrenching the enhanced forward looking monetary policy framework - The Bank of Zambia moved from the traditional monetary aggregate targeting and adopted an inflation targeting framework in April 2012, with the establishment of a Policy Rate and a Policy Rate Corridor. Under the new framework, the Bank of Zambia sets the Policy Rate and conducts open market operations to keep the interbank rate

(operational target) within the policy corridor which is currently set at 100 basis points above or below the Policy Rate. Underlying this Framework is that the interest rate signals are better understood by the market. An adjustment to the Policy Rate signifies a change in monetary policy stance. Better communication of the monetary policy stance helps to anchor inflation expectations, thereby enhancing the ability of the central bank to achieve its inflation objective; implementation of Electronic Bureau de Change Monitoring System and commissioning of the National Financial Switch.

The National Financial Switch project was implemented in two-phases. Phase one involved switching ATM and Point of Sale (POS) transactions from the VISA platform to the Switch and phase two involved switching mobile payments transactions. The National Financial Switch will result in reduced fees and charges to customers because of the removal of international



switching fees, transactions will be processed on one single platform resulting in lower costs thereby making payment transactions more affordable and increased financial inclusion through greater access and usage of financial services.

The Governor also highlighted a number of projects that remained incomplete at the end of the 2016 – 2019 Strategic Plan adding that these will be rolled over into the new Strategic Plan which begins in 2020. These projects include the Basel III and the Data Warehouse.

On the issue of conversion to permanent and pensionable employment, Dr Kalyalya apologised and informed staff that Management sympathised with them over the anxiety this matter had created. 'Your patience in this regard is greatly appreciated. However, I must hasten to add that significant progress has been made and this matter should be concluded as quickly as possible in 2020,' he added.

On other staff related developments, the Governor said the Bank bade farewell to 31 colleagues through statutory retirement, VES, and resignations. Among those who left the Bank was Dr Tukiya Kankasa-Mabula who served as Deputy Governor – Administration for 12 years. The Governor said Dr Kankasa-Mabula contributed greatly to many of the achievements that the Bank made over this period. One of the notable accomplishments she will be remembered for is Gender mainstreaming and financial inclusion.

In the same period, the Bank on-boarded

34 members of staff. 'It is again with great pleasure that we welcome the new members of staff. The Bank is an equal opportunity employer. For instance, elevation of members of staff follows an elaborate performance management framework. Added to this, is the newly introduced moderation panels that are meant to enhance consistency and fairness in the allocation of performance ratings,' Dr Kalyalya said.

The Governor also congratulated 24 members of staff who were promoted to various positions during the course of the year. He also wished the very best to all Assistant Directors who were rotated in line with the Bank's Staff Rotation Programme. The rotation was aimed at improving operational efficiency, risk management and expose staff to other operational areas of the Bank.

He also acknowledged the appointments of the former Deputy Governor – Operations, Dr Bwalya K. E. Ng'andu, as Minister of Finance, former Director of Economics Department, Dr Francis Chipimo as Deputy Governor – Operations and Mr Isaac Muhanga, who was promoted to the position of Director Financial Markets from Assistant Director – Financial System Stability. Dr Jonathan Chipili, Director Financial Markets was moved to Economics Department in the same capacity. In Governor's office, Dr Jacob Lungu replaced Mr Danny Kaliba as Executive Assistant. He wished them well in their new positions.

The Governor further thanked all

members of staff for their efforts throughout the year and reminded them that the success of the institution was built on efforts of all staff. Dedication, loyalty, hard work and working smartly were key in discharging duties and meeting objectives.

Dr Kalyalya informed staff that the Bank had introduced a Succession Planning Framework to effectively manage human resources. The Framework was a tool for identifying talent gaps and finding solutions to HR challenges.

On the current status of the economy, the Governor said the Zambian economy had been and continued to face many challenges. Inflation rose and continued to rise. Annual average inflation for the year to November was 8.9% in 2019, up from 7.5% in 2018, mainly reflecting the effects of low supply of food items especially

*The Governor further thanked all members of staff for their efforts throughout the year and reminded them that the success of the institution was built on efforts of all staff.*

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# Child marriages perpetuating poverty

By Zambanker Reporter

**Deputy Governor-Administration, as she then was, Dr Tukiya Kankasa-Mabula, has said child marriages hamper efforts to eradicate poverty and achieve sustainable global development. Speaking at Mulungushi International Conference Centre during the Young Women's Regional Summit on Ending Child Marriages, Dr Kankasa-Mabula said child marriages perpetuate the cycle of poverty.**

She explained that both girls and boys that find themselves in these unfortunate circumstances are often isolated, with limited opportunities to participate in the various development processes within their society. She added that some of the

girls were ending up in early marriages for varied reasons including the lack of mentors and role models.

"Some young girls are increasingly seeing these marriages as an escape from poverty because that is how they have

been socialised. It is therefore important that young girls are exposed to mentors that can motivate them to remain within the education system given that the issue of child marriages is fast becoming a global and indeed a regional crisis," she noted

The summit was organised by the Non-Governmental Gender Organisations' Coordinating Council (NGOCC).

The Deputy Governor, as she then was, stated that it is a fact that when girls marry early, they drop out of school, have more children over their lifetime and are at a greater risk of HIV infection and other sexually transmitted infections, fistula as well as sexual & gender based violence (SGBV).

She urged Governments in the region to work with the private sector and civil society to develop mentorship programs especially for rural young girls, to motivate them to seek education. She observed that it is important to create role models that can motivate the young girls to aspire for professional careers that will uplift their living standards and help to break the cycle of poverty within communities.

Dr Kankasa-Mabula further noted that all African countries are faced with the challenge of child marriage, whether they experience high child marriage prevalence, such as Niger (76%) or lower rates like Algeria (3%). She said child marriage is widespread in west and central Africa (42%) as well as eastern and southern Africa (36%).

She added that the Sub Sahara region also has among the highest child marriage rates in the world. Approximately 1 in 3 girls in Zimbabwe are married before their 18th birthday. Child marriage in Zimbabwe is at 32%. (UNICEF, 2017). Malawi is another country with highest rates of child marriage in the world, with approximately 1 in 2 girls married by the age of 18. The child marriage rate is currently at 42% (UNICEF, 2017). Similarly, the situation in Zambia remains dire, with the child marriage rate standing at 31% of women aged 20-24 years married by the age of 18 (UNICEF, 2017).

"May I take this opportunity to encourage the young girls to dream big for their futures. It is indeed possible to be anything in life. One must just work hard to get a sound education. I stand here today as Deputy Governor of the Central Bank, because of the education I got. To you the young girls, I am here to tell you today that you can be anything you want to be as long as you work hard. A woman can do, even better than what a man can do. Let us not do things that perpetuate our inequality. Gender equality is indeed possible!" she concluded.



# Countrywide sensitisations on DFS

By Zambanker Reporter

**The Bank of Zambia and financial service providers undertook a country-wide sensitisation and public awareness campaign during the period November 12<sup>th</sup> November to 2<sup>nd</sup> December 2019 to promote the use of digital financial services and currency security features of the Zambian banknotes.**

The awareness campaigns were conducted in fulfilment of Strategies Objective #3 of the Bank of Zambia that aims “to increase formal Financial Inclusion by 16 percentage points in order to contribute to enhanced living standards.” This is in addition to the fulfilment of objectives reflected in the National Financial Inclusion Strategy that was launched by Government in December 2017 and the National Payment System Vision and Strategy 2018 – 2019. The campaign also aimed to create awareness on the security features on the Zambian family of bank notes. This was done

in order to ensure that members of the public are able to detect counterfeit notes when they encounter them and are aware of the steps they need to take in such an event. Additionally, the public was sensitised on the correct handling of notes as means of enforcing the Bank's clean note policy. The campaign was undertaken by one hundred and twenty-seven (127) members. Of these, twenty-five (27) were nominated from commercial banks and payment system businesses, as part of the working group to Popularise Digital Payment Systems, which was established in

August, 2017.

The sensitisation campaign was conducted collaboratively between staff from Head Office and Regional Office, with the Banking, Currency and Payment Systems department at Head Office playing the spearheading role. The objective of the campaign was to sensitise the public and consumers of financial services on the following: available non-cash/digital/electronic payment methods; products & services available for the various target groups (SMEs, farmers, schools, marketers, individuals, women, youth and children; the benefits of using electronic payments; the disadvantages associated with the use of cash; security tips for safeguarding electronic/digital transactions/payments; consumer redress mechanisms and currency handling and security features

The campaign was conducted using a number of approaches in order to ensure maximum reach and coverage of the campaign message. The teams paid courtesy calls to the Provincial Permanent Secretaries Offices, Offices of the District Commissions and the Police Stations in the respective areas during the countrywide roadshow. Where possible, courtesy calls were also paid on chiefs and other traditional leaders.

In addition to the markets, bus stations, shopping malls, school and colleges team members also engaged branches of commercial banks, other financial institutions and payment system businesses. In some cases, sensitisation material was left with these institutions for purposes of continuing the awareness after the sensitisation period.

Direct engagement with the public included talks, circulation of posters, flyers and brochures. The material on payment systems was also translated to the seven (7) major local languages namely Bemba, Kaonde, Lozi, Luvale, Lunda, Nyanja and Tonga. The material was distributed in accordance with the areas where these languages are used. Further, the Zambia News and Information Services (ZANIS), who have experience with public engagement and geographic setup of respective areas, were engaged in all the districts to assist with the dissemination of the campaign messages.

Radio interviews were conducted in all districts using community stations. The interviews were also recorded and transmitted during peak hours. Team members, where possible, arranged for the production of simple radio public announcements on the campaign messages. These continued to be played on the radio station for periods beyond the campaign period.

Community cultural dance groups and local drama groups were also engaged at such areas as market, bus stops and other busy areas. This were very effective in catching the public's attention.



# Staff donate to House of Moses



By Zambanker Reporter

**Members of staff have donated two domestic laundry dryers, a washing machine and various food stuffs to the House of Moses which is operated by the Christian Alliance for Children in Zambia (CACZ). The donated items were procured from financial resources contributed by BoZ staff towards the welfare of a baby who was born near the Bank of Zambia buildings to a homeless woman.**



Speaking during the donation to the House of Moses, Acting Director – Board Services Mrs Chanda Punabantu said following the birth of a baby boy on September 17, 2019 from a homeless woman near the Bank of Zambia building, members of staff rose to the occasion and

made financial contributions towards the welfare of the baby.

She added that members of staff of the Bank of Zambia were proud to cooperate with the Christian Alliance for Children in Zambia (CACZ) who had taken it upon themselves to provide safe homes for high risk infants, including the child born outside the BoZ premises. ‘The work of CACZ is in line with the objectives of the Bank of Zambia Community Involvement Policy which seeks to support people and communities with the aim of making their lives better and giving them opportunities they may otherwise not have,’ she said.

Bank of Zambia staff were excited to learn that CACZ through the House of Moses came to the aid of the baby and provided a home to a child who could have ended up as a street kid. Staff were confident that the child who had been named Elijah, would grow into a God fearing and responsible citizen because of the love and care that he and many other abandoned children were receiving from the home.

Mrs Punabantu commended staff of CACZ for the hard work they were doing in looking after vulnerable children. She said Bank of Zambia staff were optimistic that the good work CACZ was doing would

continue to grow and positively impact the lives of the vulnerable in Zambia.

‘On behalf of the Bank of Zambia Board, Management and staff, I wish to officially hand over the two laundry dryers, washing machine and foodstuffs all valued at K27, 177 to Christian Alliance for Children in Zambia to help you meet the required standards of care for the children. We appreciate the work you are doing. I trust that CACZ will guard these items jealously and take good care of them as they will make your work of maintaining high standard hygiene easier. I trust that the items will make a difference to the home now and in future,’ the Acting Director - Board Services concluded.

The CACZ Executive Director Ms Daisy Muzukutwa commended BoZ staff for the good gesture saying the house had been struggling with washers and dryers for a long time. These items were a necessity especially in the rainy season. Ms Muzukutwa said the house was overwhelmed by the move taken by BoZ staff. She elaborated that the house ran a budget which was always in deficit and so the birth of Elijah was a blessing in disguise as it made BoZ staff rise to the occasion to help the house and to see for themselves what the house was doing for vulnerable children in the community. The Executive Director said from time to time, the CACZ organised fundraising events to raise funds for the house and the Bank had always been supportive.

Speaking at the same event, CACZ Manager – Foster to Adopt, Mr Lazarous Mwale said CACZ was established in 1998 as a non-profit based organisation to provide safe homes to high risk infants who were either dumped in pit latrines, abandoned at the University Teaching Hospital or whose mothers died during or after delivery.

Mr Mwale said CACZ operates two homes which were both transit homes. These were the House of Moses and Bill and Betty Bryant. Aside from these transit homes, the organisation also runs a high school called Helen Devos Christian Secondary School for orphans and vulnerable children.

The House of Moses keeps children from the age of 0 - 2 years old while Bill and Betty Bryant keeps children from the age of 2 - 5 years. Children above 5 years old are taken to orphanages. Since these are temporary (transit) homes, one of the goals of CACZ is to find permanent homes for the children before they reach the age of 5.

Mr Mwale appealed to BoZ staff to help spread the word to those who would be interested in adopting children from the house. He however said adoption would only be done within the rules set by the Ministry of Community Development and Social Welfare.



# BoZ donates to CINDI Kansenshi

By Zambanker Reporter

**The Bank of Zambia through its Regional Office has donated 75 bags of Mealie meal to CINDI Kansenshi in response to a request for help with a donation of mealie meal to the Orphaned and Vulnerable.**

CINDI Kansenshi is a community school in Chipulukusu area of Ndola which caters for learners from grades 1 to 6. The school also supports 75 families of the school going children with supplements such as cooking oil, sugar and mealie meal.

Speaking during the handover of the donated items, Acting Director – Regional Office, Mr Musapenda Phiri said the Bank was proud to cooperate with CINDI Kansenshi in ensuring that the vision of the community school which catered for grades 1 to 6 is achieved. He said, the donation was in line with the

Bank of Zambia Community Involvement Policy which seeks to support growth and development as well as improving opportunities for better educated youths within the local communities in Zambia.

Mr Phiri commended CINDI - Kansenshi, specifically, Ms Patricia Banda and her team, for pioneering the establishment of the school and the feeding initiative. He said the Bank was optimistic that the good work that CINDI was doing would continue to grow and positively impact the lives of the vulnerable in the communities.

The Bank made donations to various organisations in the last half of 2019 including donations to the Ndola District Aids Task Force, Sponsorship of the revolving trophy for the best HIV Nurse Practitioner in Management and Leadership at the Ndola School of Nursing and Midwifery, the Zambia Agency for Persons with Disability, Ndola State functions Independence day celebrations and a donation to Ndola College of Biomedical Sciences towards awards for deserving graduands, among others.



# Constitutional recognition of Central Bank independence

By Helen Banda

**The SADC Central Bank Model Law outlines in its Explanatory Guide that there are three intertwined pillars of good central bank governance. These pillars are stated as being independence, accountability and transparency.**

In Zambia, the pillar of central bank independence has, for the first time been acknowledged through the Constitution (Amendment) Act, No. 2 of 2016 which came in to give effect to the establishment of the Bank of Zambia under the Constitution. This pillar is provided for in Article 213 (5) of the Constitution as follows:

*"The Bank of Zambia shall not be subject to the direction or control of a person or an authority in the performance of its functions."*

This provision can be said to be the most significant legal reform development of the decade as it relates to the existence of the Bank of Zambia, other than that the establishment of the Bank of Zambia is now constitutionally provided for.

Article 213 (1) of the Constitution (Amendment) Act, No. 2 of 2016 has now established the Bank of Zambia and states as follows:

*"There is established the Bank of Zambia which shall be the central bank of the Republic."*

Before the 2016 amendment to the national constitution, the Bank of Zambia had been established under section 3 of the Bank of Zambia Act 1996, which provided the following:

*3(1) The Bank of Zambia established under section three of the Bank of Zambia Act 1985, is hereby continued as if established under this Act and shall be a body corporate with perpetual succession and a common seal, capable of suing and of being sued in its corporate name, and with power, subject to the provisions of this Act, to do all such acts and things as a body corporate may by law do or perform.*

The Bank of Zambia Act of 1985 had provided the following with regards to the establishment of the Bank:

*(1) "The Bank of Zambia established under section three of the Bank of Zambia Act, 1964, is hereby continued as if established under this Act and shall be a body corporate with perpetual succession and a common seal, capable of suing and of being sued in its corporate name, and with power, subject to the provisions of this Act, to do all such acts*

*and things as a body corporate may by law do or perform."*

The 1964 Bank of Zambia Act provided the following in section 3 on the Bank's establishment:

*"There is hereby established the Bank of Zambia, a body corporate with perpetual succession, with a common seal, which, subject to the provisions of this Act, shall be capable of suing and of being sued, and of doing all things which are within the capacity of a body corporate."*

The functions of the Bank are stated under Article 213 (2) of the Constitution as follows:

- (a) *To issue the currency of the Republic;*
- (b) *Determine monetary policy; and*
- (c) *Regulate banking and financial services, banks, financial and non-banking institutions, as prescribed.*

*\*The Bank of Zambia has made submissions to have this article refined so that the Constitution state only the primary function of the Bank as being to formulate monetary policy with other functions being left to be prescribed.*

The Bank of Zambia Act of 1996 in Section 4 (1) outlines the following to be the function of the Bank:

*"The Bank shall formulate and implement monetary and supervisory policies that will ensure the maintenance of price and financial systems stability so to promote balanced macro-economic development."*

The 1985 Bank of Zambia Act had provided that the functions of the Bank of Zambia *"shall be to do all such things as are necessary for the maintenance of the internal and external values of the kwacha, a stable and efficient system of payments, the liquidity, solvency and proper functioning of a soundly based monetary, credit and financial conditions conducive to the orderly, balanced and sustained economic development."*

The 1964 Bank of Zambia Act did not specifically outline the functions of the Bank but instead provided for what was termed as the business of the Bank under Part V, which business included some of the following matters:

- Issue demand drafts and effect other



kinds of remittances payable at its own offices or at the offices of agents and correspondents;

- Buy and sell gold coin and gold bullion;
- Open accounts for and accept deposits from the Government, funds institutions, corporations and authorities established and controlled by Government, banks and other credit institutions in Zambia;
- Buy and sell securities of the Government;
- Maintain accounts with central banks and other banks abroad, and act as correspondent, banker or agent for any central bank or other bank or monetary authority and for any international bank or international monetary authority established under governmental auspices;
- Undertake the issue and management of loans publicly issued in Zambia by the Government or institutions, corporations and authorities established or controlled by the Government;
- Act as banker to other banks in and outside Zambia.

Other than establishing the Bank of Zambia as the central bank for the Republic, the Constitution recognition of the pillar of independence for a central bank as stipulated in Article 213 (5) is pertinently a significant milestone under the past decade.

***Helen Banda is Deputy General Counsel in the Legal Services Department***

# Climate change – a risk to financial stability

By Richard Chirwa

**While the debate on the reality on the existence of climate change rages amongst world leaders and, with those who are pro-climate change being branded as perennial prophets of doom and predictors of the apocalypse, we continue to witness ferocious cyclones, extended droughts, extreme winter and summer temperatures and severe flooding which lead to destruction of infrastructure and the disruption of livelihoods and businesses.**

These destructions have been in proportions like never known or seen before. In most sub-Saharan nations, almost every person has at least experienced the impact of extended drought through high cost of food and long hours of energy load management especially in economies heavily dependent on rain fed agriculture and hydro power generation.

## How Climate Change Effects Cause Financial Risks

For the players in the financial sector, disruptions arising from the effects of climate change bring to the fore financial implications relating to cash flow generation and the eventual bottom-line numbers. Climate change is therefore a phenomenon which financial sector regulators and the regulated financial services providers themselves cannot afford to ignore.

For financial service providers, physical risks can emerge directly, through their exposures to different categories of clients such as corporations, households or indeed indirectly, through the effects of climate change on the wider economy. The exposures manifest themselves through increased default risk of loan portfolios or reduced values of assets arising from climate change effects. For example, extended hours of load management inevitably reduce productivity, the impact of which is expressed in low

income generation for industry leading to greater risks in loan and mortgage portfolios. This may lead to reduce lending as financial service providers tighten lending conditions to counter rising default risk. In addition, financial service providers are likely to be less diversified, because climate effects can increase the likelihood or impact of events previously considered uncorrelated, such as droughts and floods.

There are two main channels through which climate change affects are transmitted in the financial system (see chart below). The first involves physical risks, arising from damage to property, infrastructure, and land. The second, transition risk, results from changes in climate policy, technology, and consumer and market sentiment during the adjustment to a more climate resilient economy or environment.

## Role of Financial Sector Regulators

Since the Paris Agreement was adopted, regulators have become increasingly interested in both the micro- and macro prudential implications of climate change. Warnings about the potentially destabilising effects of climate change have also been issued by the Financial Stability Board.

In view of the foregoing, issues of climate change therefore fall squarely within the mandates of financial sector regulators and



supervisors to ensure that the financial system is resilient. These must integrate climate-related risks into supervision and financial stability monitoring.

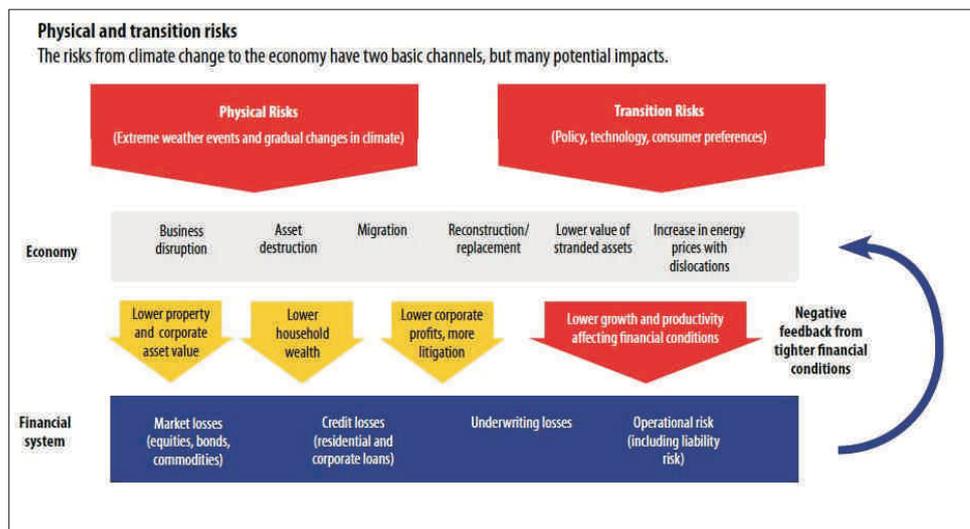
In the Proposed Revisions, (which at stakeholder consultative stage) to Statutory Instrument No. 142 of 1996 (SI No. 142), the Banking and Financial Services (Classification and Provisioning of Loans) Regulations, 1996, as read together with CB Circular No. 4/98 (Classification and Provisioning of Loans Regulations), the Bank of Zambia, introduces credit risk management principles to help set the atmosphere for the classification and provisioning of loans rules. Classification and provisioning of loans are a key aspect of credit risk management. The principles will require amongst others “the utmost care and diligence in the rigorous study and assessment of the credit risk associated with their transactions, not only at the time of their being granted but also throughout the period during which they are current” and “the reclassification and corresponding provisioning of credit facilities as soon as an abnormal situation or the deterioration of credit risk becomes apparent.”

The credit risk to be carefully assessed will include risks impacting on value of earning assets and sustainability of cash inflows from these assets such as those emanating from climate change effects like physical risks, arising from damage to property, infrastructure and land.

## Role of Financial Service Providers

With the growing recognition of the financial risk factors, rising from climate change, and the most likely upcoming close regulatory eye on financial service providers risk management teams manage climate risks, financial service providers should treat climate risk as a financial risk and shift beyond traditional approaches that focus on

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## Photo Focus



Governor Dr Denny Kalyalya, Manager - Strategic Communications Mr Nkatya Kabwe and VIP Protection Officer Mr Eliya Palata at Zanaco Bank Plc's 50th Anniversary Celebration.



Deputy Governor-Operations, Dr Francis Chipimo, addressing members of the press during the fourth quarter Monetary Policy Committee announcement and media briefing while Bank Governor, Dr Denny Kalyalya and Director Bank Supervision, Ms Gladys Mposha follow the proceedings.



Assistant Director - Payment Systems, Ms Mirriam Kamuhuzi during a panel discussion on 'Leveraging on Digital Platforms for Financial Inclusion' at the inaugural Zambia Digital Summit hosted by the Zambia Information and Communications Technology Authority (ZICTA).



Director Board Services, Ms Namwandi Ndhlovu and Deputy General Counsel, Ms Helen Banda listening to Parliamentarian Hon. Mwenya Munkonge at the 2019 MP's seminar.



Director Bank Supervision, Ms Gladys Mposha and Director Non-Banks Financial Institutions Supervision Department, Ms Freda Tamba sharing notes during the 2019 MP's seminar in Livingstone.



Bank of Zambia officials and Members of Parliament toured the Kazungula bridge during the MP's seminar.



The Private Capital Flows dissemination workshop Secretariat following proceedings.



Part of the crowd that attended the Private Capital Flows dissemination workshop at the Government Complex in Lusaka recently.

## Photo Focus



Director Regional Office, Mr Visscher Bbuku at the launch of the Prudential Life Assurance Zambia Limited Cha Ching Programme. With him are Assistant Manager Human Resources, Mr Shadreck Mukuwa and Protocol Officer, Mr Lombe Mulanda.



Assistant Director Regional Office, Mr Musapenda Phiri and Protocol Officer, Mr Lombe Mulanda at the Zambia Agency for People with disabilities during a donation.



BoZ staff at Mansa Sugar during a quarterly survey of Luapula province.



BoZ choir at the World Aids commemoration.



Happy members of the Financial Sector Deepening Unit.



Bank of Zambia and House of Moses staff after the donation of assorted items by the Central Bankers recently.



Bank of Zambia officials at the 2019 Zambia Institute of Banking and Finance Services annual conference.



Assistant Manager-Social Media, Ms Kateule Nakazwe and Financial Sector Deepening Zambia Digital Communications Officer Mapaalo Musonda at the 2019 Financial Literacy Awards.

# The concept of pre and post judgment interest: *Some much needed clarity*

By Lungisani Zulu

**Almost on a weekly basis, the Bank of Zambia gets asked a question related to the application of interest on a court judgment by a successful party in court matter. In a number of Judgments, if not almost all judgment where a sum of money is being awarded, there is reference to 'the lending rate determined by the Bank of Zambia' or 'commercial bank lending rate'.**

It is therefore natural for parties to turn to Bank of Zambia for answers on how to access the relevant information and what rate to use to calculate interest on the judgment sums.

In this write up, I set out to shed some light on the Concept of pre and post Judgment Interest, interest between filing a matter to the date of judgment and interest from date of judgment to the date of actual payment. I will address some provisions of the law speaking to post judgment interest and highlight the lending rate determined by the Bank of Zambia and the average commercial bank lending rate. I point out where parties can readily access these interest rates. Ultimately, it is my hope that it will provide the much needed clarity to avoid some of the confusions that arise in the calculation of Judgment Interest.

The matter of post judgment is so important that Parliament has dedicated a whole chapter to it, called the Judgment Interest Act, Chapter 81 of the Laws of Zambia. According to this Act of Parliament, every judgment, order, or decree of the High Court or of a subordinate court awarding a sum of money must carry interest. The post judgment interest should be determined by the court but must not exceed the current lending rate determined by the Bank of Zambia. This interest must run from the date the judgment or order is given to the time it is actually paid.

This far, things seem easy and devoid of any murkiness. However, in practice, 'the current lending rate determined by the Bank of Zambia' is not an easy concept to grasp as the Bank of Zambia does not really 'determine the current lending rate'. Further, the language in some judgments are so unclear which muddies the already murky waters around interest calculations in judgment sums. It then becomes necessary to clarify what is actually determined by the Bank of Zambia.

But first things first, how do you access information relating to interest rates

generated by the Bank of Zambia?

You simply go to the Bank of Zambia website at <https://www.boz.zm>, then click on Research and Publications and then proceed to Fortnightly Statistics. There, you find Statistics Fortnightly Bulletins in PDF whose purpose is to disseminate monetary and financial statistics on a fortnightly basis. Table 07 of the Fortnightly Bulletin is the most relevant for purposes of isolating statistics related to interest rates.

I mentioned the confusion surrounding the determination of 'the current lending rate determined by the Bank of Zambia' and that this language may itself be confusing in view of the practice. So what does the Bank of Zambia really determine?

Before 2012, the Bank of Zambia used to aggregate the lending rates of commercial banks to come up with the weighted lending base rate, being the average of lending rates charged by the banks. In April, 2012, the Bank of Zambia introduced the Monetary Policy Rate, which is completely different from the average lending rates of commercial banks.

The Policy Rate is the key interest rate in signaling the monetary policy stance. It provides a credible and stable anchor to financial market participants in setting their own interest rates. The Policy rate is the base rate upon which commercial banks anchor their commercial lending rates, but they include a margin to come up with their actual lending rate.

So in actual fact, the Bank of Zambia determines 'the current lending [base] rate' through the Monetary policy rate. This is the rate which must be used to calculate the post judgment interest in line with the provisions of the Act of Parliament.

This is because this is the interest rate 'determined' by the Bank of Zambia for 'lending' purposes.

There are of course, other interest rates for lending purposes, such as the average commercial lending rate and the average interbank average lending rate, but these



cannot be stated to be 'determined' but rather 'aggregated' by the Bank of Zambia. They do not approximate to 'the current lending rate determined by the Bank of Zambia'.

In practice, I have come across some judgments which award post judgment interest at 'the current Commercial Bank lending rate as determined by Bank of Zambia' while others refer to 'the Current Bank lending rate as determined by Bank of Zambia'. These differences in nomenclature notwithstanding, the monetary policy rate remains the appropriate rate to be used for purposes of calculating post judgment interest.

*It must be appreciated that post judgment interest is premised on the need to compensate the successful party for the time value of money from the date of judgment. From the date of judgment, the law assumes that the money should immediately be paid by the losing party, and should there be any delays, the losing party must pay interest at the lending rate on the assumption that from that date, the money does not belong to them.*

*Enough said about post judgment interest, what about pre judgment interest?*

*The Supreme Court has guided that pre-judgment interest, which is interest generally from the date the matter is filed into court to the date of judgment, must be at the average short-term deposit rate. This guidance is contained in numerous cases such as Barclays Bank Zambia Plc v. Patricia Leah Chatta Chipepa (Judgment No. 16 of 2017) and Atlas Copco (Z) Ltd. v. Andrew Mambwe (Appeal No. 137 o/2001).*

*The pre-judgment interest is a lower interest rate than post judgment interest and compensates a successful party for the delays at court associated with concluding the matter.*

*It is lower than post judgment interest*

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# Are money circulation schemes a consequence of digitalisation?

By Mambwe Chibale, CFA

The Banking and Financial Services Act, 2017 defines a money circulation scheme as a plan, arrangement, and agreement or understanding, between two or more persons that in the pooling and distribution of funds by recruitment of subscribers, and which, for its coexistence and realisation of its benefits, substantially depends on the incremental recruitment of subscribers for an unspecified period.

A money circulation scheme is illegal under the BFS Act and whoever conducts or participates in a money circulation scheme or issues a notice, circular, prospectus, proposal or other document inviting the public to subscribe to a money circulation scheme commits an offence and shall be liable upon conviction.

Digitalisation is the process of leveraging digitisation to improve business processes. The financial services sector is one sector that has embraced digitalisation and has experienced growth in the use of digital financial services. Digital financial services have been defined by many as the broad range of financial services offered through digital channels. These services include payments, credit, savings, remittances, and insurance. Digital channels include the internet, mobile phones, automated teller machines, point of sale terminals, biometric devices, electronically enabled cards and any other digital systems.

## Why the concern?

There has been an increase in the number of potential money circulation schemes reported to the Bank of Zambia (BoZ) by members of the public. In 2019 alone, the BoZ received 23 cases of suspected money circulation schemes. Out of the 23 cases, one was handed over to law enforcement agencies and the proprietors of the scheme were prosecuted and sentenced. In this particular case, the Court ordered the BoZ to distribute the realised asset of the scheme to the participants.

## Is digitalisation presenting an opportunity for money circulation schemes to thrive?

Meltem Demirors, Chief Strategy Officer at CoinShares, a digital asset management company, in one of her discussions on crypto currencies said that in the aftermath of the global financial crisis people have generally embraced the use of digital financial services and crypto currency in particular.

According to Demirors, people's trust in digital financial services has increased post the financial crisis. She also added that the digitalisation has placed some level of

transparency and control in people's hands hence embracing digital financial services.

## Can technology stand in for trust?

Robert C Merton, a distinguished professor of finance at the MIT Sloan School of Management, in his ten year review of the 2008 financial crisis pointed out that technology cannot create trust or succeed without it.

However, he added that two things, can substitute trust: verification and transparency. While some forms of digital financial services can provide verification, financial advice tends to be opaque rather than transparent. In addition, while some financial services can be offered without trust, some key areas such as financial advisory can only function where there is trust.

## Are digital channels transforming trust?

Arun Sundararajan, Harold Price Professor of Entrepreneurship and Technology at the New York University Stern School of Business and author of the award winning book "The Sharing Economy" shared that people are giving digital platforms "government like power" by creating social contracts, however, for which these platforms are not held accountable.

He added that digital platforms are transforming trust from institutions that society has traditionally relied on for social and economic trust to digital platforms. In short people are beginning to trust more in digital systems which does not necessarily mean that people no longer trust in institutions that they have traditionally relied on for social and economic trust.

## What do complainants and victims of money circulation schemes say?

In my daily interactions with members of the public who come to report suspected money circulation schemes and those who were following up on recovering their "investments" following the Court order for BoZ to distribute proceeds to participants, it became evident that there are some economic and social factors that drive people to embrace money circulation schemes.



## Economic factors

- (i) Increase in personal debt  
Increase in personal debt makes money circulation schemes attractive as people look to the promised high returns as a way to help them get out of debt.
- (ii) Unsustainable social security  
Social security payouts are not sufficient due to the current high cost of living. This makes money circulation schemes an attractive investment option for pensioners who get lump sum payouts.
- (iii) Increase in prices of goods and services  
The increase in prices of goods and services creates a conducive environment for investment in money circulation schemes which are considered to be free of any service and maintenance costs.

## Social factors

- (i) People are inclined to trust people they know  
The common feature of money circulation schemes is the recruitment of members. Many people spoken to indicated that they were introduced to the scheme by a friend, colleague or relative.
- (ii) Transparency  
Money circulation schemes promise high returns based on the number of members an individual recruits. Therefore, people are able to know and follow through how their investment is growing which gives a sense of ownership of the process.
- (iii) Convenience  
Registration and recruitment on money circulation scheme is usually done

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# Effective change management

## ...Understanding the times and seasons...

By Dr Musonda Simwayi

The only constant in life is change. In an organisation, change could range from simple adjustments to major changes in policy or strategy. Some changes are implemented as a result of problems within organisations, but many changes come about as a result of organisations proactively seeking business benefits such as reducing costs or improving services.

The focus is on the wider impacts of change, particularly on people and how they, as individuals and teams, move from the current situation to the desired position. As well as considering the tangible impacts of change, it's important to consider the personal impact on those affected and their journey towards working and behaving in new ways to support the change.

Further, understanding seasons and times is very crucial in Change Management. For instance, organisations cannot, in this generation, continue implementing strategies that worked well twenty years ago. For the Bank of Zambia, Change Management has been the systematic approach of utilising human resource to minimise resistance to and affect organisational change. This is because the Bank has been inundated with internal and external factors that must be responded to in a systematic and coordinated manner.

One of the immediate challenges presented by these issues is how to balance the eventual unwinding of monetary stimulus with the need to sustain growth and reduce the risks of market instability.

Before the global financial crisis of 2007 and 2008, the primary objectives of macroeconomic policies were price stability and supporting economic activity.

The regulation and supervision of the financial sector focused on the soundness of individual financial institutions with the expectation that this would lead to the stability of the financial ecosystem as a whole.

However, the financial crisis provided an unexpected reality that price stability cannot on its own ensure financial stability.

In understanding the above issue and the prevailing circumstances in this season,

the Bank has repositioned itself and come to the understanding that monetary and financial stability are two inseparable and necessary components of financial stability. In the 2020-2023 Strategic Plan, there are clear provisions for some level of co-ordination between monetary and macro-prudential policy. During this period, the Bank's success in fostering financial stability will be measured on its competence to identify and monitor sources of systemic risk and its ability to effectively manage these risks.

•In the area of people management, the realities of the Fourth Industrial Revolution has dawned on the Bank. When compared with the previous revolutions, the Fourth has come out at an exponential pace rather than a linear one. It is characterised by disruptive technologies such as financial technology (Fintech), artificial intelligence and robotics. The depth of these developments has transformed the way organisations do things in terms of governance, production, and people management.

•In this season, the thrust should be to shape the future of the Bank by putting people first empowering them with the right attitude and skills. The World Economic Forum has predicted that by 2022, organisations will require the following skills in order to survive in this revolution:

- Analytical thinking and innovation
- Complex problem-solving
- Critical thinking and analysis
- Active learning and learning strategies
- Creativity, originality and initiative
- Attention to detail, trustworthiness
- Emotional intelligence
- Reasoning, problem solving and ideation
- Leadership and social influence
- Co-ordination and time management
- When one looks at each of these skills,



it is clear that traditional skills anchored on predictability, manual and stable environments are being phased out. There is a shift towards a quick, flexible, unpredictable and customer focused skills.

The ability to quickly and flexibly respond to changing operating environments and stakeholder expectations will be a decisive factor in determining the success of organisations including the Bank of Zambia. In short the Bank, more than ever before, will require a shift from a relatively stable to an agile culture.

Being agile means constantly being adaptive to change and constantly raising the question; what can we do better in order to succeed? The values of agility include:

1. Interaction and considering individuals to be more important than standard procedures and tools.
2. Delivering a working product is more important than extensive documentation.
3. Fostering more customer collaboration over relying mainly on contract negotiations.
4. Being open to changes instead of needlessly clinging to your initial work plans.

The Bank has, in the recent past, been blessed with new employees who fall in the category of millennials (those who were born in the 1980s and 1990s). As at 13th December 2019, the Bank record show that out of 536 employees, 155 are millennials.

The distribution is shown in the table below:

Age Range	Gender		Total
	Female	Male	
21-25	0	1	1
26-30	16	12	28
31-37	59	67	126
38-45	64	102	166
46-50	33	64	97
51-55	35	54	89
56-60	7	21	28
above 60	0	1	1
<b>Total</b>	<b>214</b>	<b>322</b>	<b>536</b>

The millennials represent 29% of the total workforce. The other interesting thing is that employees who are above 45 years in the Bank are 215 representing 40% of the total workforce. In terms of understanding the realities of time by 2035 40% of the current employees will separate from the Bank. Off course the separation will include Voluntary Early Separation (VES) and statutory retirement. What does this mean from the Change Management point of view?

Reality is that the millennials are versatile, experimental and usually on the move. A research carried out by the Harvard Institute of Politics in 2015 found that most of the millennials are self-reliant and technology dependent. They are about finding and not remembering. They can search things quickly and ruthlessly.

The above narration creates a collaboration between the millennials and the set of skills that are relevant in the Fourth Industrial Revolution. While employees in the middle and older category can also be versatile and creative, more often than note they are very comfortable with the routine and stable environments. They are also comfortable exercising their power and control. Well, they cannot be blamed perhaps that's how they were nurtured. Change Management requires all of us to understand that times are changing and changing rapidly.

Therefore, the place for a one-size-fit-all strategy belongs in the dust bin. We are not immune to the changes brought on by the speed at which our digitally connected and increasingly interconnected world now functions. We all need a new way of working to survive and thrive in this environment. Whereas traditional organisations are relatively static, siloed and hierarchical, we should strive to be an agile Bank that combines velocity and adaptability with stability and efficiency. Surely it can be done.

**Dr Musonda Simwayi is Assistant Director-Change Management & Innovation in the Strategy & Risk Department**

# 2020 – A turning point year

*From Page 17*

maize and maize products due to the drought during the 2018/2019 farming season. This outturn was above the medium term target range of 6-8%. Real Gross Domestic Product (GDP) was projected to grow at the slowest rate in about a decade, fiscal deficits remained high, and the stock of external debt kept growing and external debt service payments had risen considerably resulting in international reserves declining to the lowest level in about four years.

The exchange rate was generally stable, except for May and more recently from November due to increased demand for petroleum and fertiliser imports as well as adverse market expectations associated with credit rating downgrade and electricity imports to help mitigate the shortfall in domestic supply. The supply of foreign exchange reduced due to lower mineral production and copper prices that negatively impacted export earnings. With these developments in the foreign exchange market and the rapid depreciation of the Kwacha, the Bank took measures to calm the market.

The statutory reserve ratio was increased to 9 % from 5 % and the statutory requirement compliance period was changed to daily from weekly. Interest rates remained high due to persistently high fiscal deficits that had resulted in higher yield rates on Government securities, currently averaging 30%. This had in turn contributed to high borrowing costs, with the weighted average lending

rate at around 26% from 23% in December last year. The high interest rates, coupled with low liquidity on the market, resulted in less credit extended to the private sector, which in-turn affected growth.

To counter some of the pressures in the economy, Bank of Zambia tightened monetary policy by raising the Policy Rate to 11.5% from 9.75%. However, the Governor acknowledged that these measures alone were not enough to address the current challenges, but needed to be complemented by strong action by Government on the fiscal front.

'The time to act is now, if we seize this moment, we can navigate our way out of this situation and restore stability and aim to achieve sustainable and balanced growth. It will take concerted effort to surmount the challenges our country is facing,' Dr Kalyalya added.

Dr Kalyalya reminded staff that they all had a role to play in this process. As good citizens, they were expected to obey the laws of the land, pay their taxes honestly and perform their duties sincerely. Furthermore, he reminded them to respect the rights, beliefs and opinions of others and stay informed of the issues that affected the country's well-being.

Earlier on, the Governor requested staff to observe a moment of silence in honour of two members of staff who died during the course of the year. These were Mr Oliver Ndhlovu who was a Statistical Assistant in the Economics Department and Mr Douglas Kalamatila who was an Assistant Director in the Financial Markets Department.

## The Concept of Pre and Post Judgment Interest

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*because the losing party must not be punished unfairly for delays which they have nothing to do with. It presupposes the judgment sum was already with the successful party but it had been 'banked' at court. We are all familiar about how low the interest rate one gets for money merely banked.*

Table 07 of the Fortnightly Bulletin accessible on <https://www.boz.zm> equally contains the average short-term deposit rate for use by successful litigants.

I do hope the article has helped to clarify the concept of pre and post judgment interest for successful parties.

Pre judgment interest runs from the date of filing the court matter to the date of judgment and the same is usually ordered to be at the average short-term deposit rate, a relatively lower rate, aimed at compensating the successful party for 'banking' the money at court. Post judgement interest on the other hand starts running from the date of

*judgment to the date the money is actually paid by the losing party.*

It is premised on the need to compensate the winner for the time value of money from the date of judgment, and the loser is considered to have borrowed this money from the date of judgment and hence must 'repay' same at the current lending rate determined by the Bank of Zambia'.

The article has further guided that in practice the Bank of Zambia determines 'the current lending [base] rate' through the Monetary policy rate. It is the policy rate which must be used to calculate the interest on judgments in line with the provisions of the Act of Parliament.

Finally, all the relevant interest rates are found in Table 07 of the Fortnightly Bulletin published by the Bank of Zambia and readily accessible on its website at <https://www.boz.zm> under Research and Publications.

**Lungisani Zulu is Senior Legal Counsel in the Legal Services Department**

# It has been an incredible journey-TKM

*By Zambanker Reporter*

'I leave the Central Bank with fond memories and relationships with colleagues and co-workers that will last a life time', former Deputy Governor-Administration, Dr Tukiya Kankasa-Mabula has said.



*By Zambanker Reporter*

'I leave the Central Bank with fond memories and relationships with colleagues and co-workers that will last a life time', former Deputy Governor-Administration, Dr Tukiya Kankasa-Mabula has said.

Dr Kankasa-Mabula, whose term of office ended on 15<sup>th</sup> December, 2019, after serving as Deputy Governor for Administration for 12 years and Bank Secretary for 9 years, says she believes her service to the Bank has made a significant positive impact as well as contributed to positioning the institution to meet current and future opportunities and challenges.

She joined the Central Bank on the 2<sup>nd</sup> of

November 1998 as Bank Secretary, a position she held until 17<sup>th</sup> December 2007 when she was appointed Deputy Governor-Administration.

The position of Deputy Governor-Administration is a statutory appointment by the President of the Republic of Zambia, in which Dr Kankasa-Mabula was responsible for providing strategic direction and oversight to the support functions of the Bank. She had seven Departments and one Division directly reporting to her; namely; Finance, Human Resources, Board Secretariat (including Communications), Legal Services, Information and Communications Technology, Procurement



and Maintenance Services, Strategy and Risk Management and Security of the Bank. She also had the administrative oversight of the Audit function, which functionally reports to the Governor and the Board.

*The Zambanker caught up with Dr Kankasa-Mabula (TKM) to get her reflections on her incredible journey at the apex of the financial sector in the country.*

*Zambanker: What are some of the key highlights of your tenure as Deputy Governor-Administration?*

**TKM:** Modernising the Bank to be fit for 21<sup>st</sup> Century central banking and entrenching good corporate governance. A range of key policy and institutional reforms were introduced and implemented during my tenure.

*What was your experience as Bank Secretary?*

**TKM:** My role as Bank Secretary put me at the centre of the Bank's operations. I had a rich and varied workload which I thoroughly enjoyed! There was no dull moment as I had to deal with diverse and emerging issues. It was the responsibility of the Bank Secretary to ensure that the institution was being run in accordance with good corporate governance. We did not have an independent compliance function then, so this was the responsibility of my department to ensure the Bank operated in accordance with the law and regulations.

From the legal side, this was the time when several banks and financial institutions had been placed into liquidation by the Bank of Zambia. We faced spirited challenges from some of the shareholders including having to defend the Governor and myself from allegations of contempt of court with the attendant risk of imprisonment. We also had to deal with the legacy issues of former staff that had been declared redundant in 1991 and 1994. These were also the hey days of the Vulture Funds seeking to reap where they did not sow.

From the governance side, I ensured that all Meetings of the Board of Directors, Management and various Committees were run in accordance with the law and their various charters and minutes and other records and valuable agreements were well secured.

Further, being in charge of the oversight of the Bank's Communication and Protocol function, I oversaw the formulation and implementation of communications strategies, as well as building and maintaining relationships with various stakeholders, especially the media. We held regular Media Seminars where we sought to build capacity in our local journalists to competently report on economic and financial matters.

**How would you describe your leadership style and what style did you adopt as you grew in your leadership journey and why?**

**TKM:** I would describe my leadership style as transformational. I am a future-maker. I had a vision of what I wanted the Bank to be and mobilized staff in that direction. I did not shy away from confronting change where it was needed. Some ideas were ahead of the curve and therefore received some level of resistance such as the issue of gender mainstreaming. We have all now seen which way the world is heading.

As I grew in my leadership journey, I also learnt the importance of consultative leadership. I learnt the importance of harnessing the skills, experiences and ideas of others through consultation. This did not however mean I was incapable of making my own decisions but consulting relevant experts gave me a wider understanding of issues. I learnt that consultation needed to be with all parties involved in a matter because sometimes, people present issues in a biased manner for their self-interest.

**What was your relationship with the Union?**

**TKM:** Firstly, I would like to thank the Union for the good and transparent relationship that I enjoyed with them. It was a relationship of mutual respect and open communication in which valuable contributions were made from both ends. The Union gave us the other side of the story and that was very useful in the decision making process. On several occasions, it was from the Union that I learnt of some burning issues. Properly harnessed, the Union has a valuable role to play in an organisation. In their quest to get the best for their members and mine to safeguard the Bank's interests, I know I was at one point given the affectionate nickname of "Stepmother". Because of the cordial relationship and mutual respect we developed for one another, there was no industrial unrest during my time.

**What challenges did you face in your leadership journey?**

**TKM:** One of the challenges I have faced is that sometimes strong female leaders are not easily accepted in our society. This has social-cultural origins. Women are judged on a different standard to men and are given less allowances even by other women. We all need to work hard to change this mindset. It is said that leadership is lonely. This is indeed so. It is, however, even more lonely for the female leader. You are an outsider. We need more women in leadership to change this status quo.

**Why are you passionate about gender equality?**

**TKM:** I am passionate about gender equality because I want to make the world a better place for everyone. Gender equality is intrinsically linked to sustainable development and is vital to the realisation of



human rights for all. I honestly and passionately believe that the world will become a better place only when women take their place as equal partners with men in all fields of human endeavor. As I have been reflecting upon my life, I have come to a realisation that this has been my mission. I was surprised to find that the first serious research paper I wrote in my life, my final year paper as a student in the School of Law, was actually about Equality and the Status of Zambian Women. That is almost forty years ago.

**You have been a strong, consistent and clear voice for gender mainstreaming in the Bank. Has gender mainstreaming been an end in itself in the Bank?**

**TKM:** Gender mainstreaming is not an end in itself, but a means to an end. It is merely a strategy that ensures that concerns and experiences of both women and men are given due attention as an integral part of the design, implementation, monitoring and evaluation of all policies, programmes and activities.

This is with the ultimate goal of gender equality and sustainability. In the Bank for instance, the number of women in management positions and involvement in various activities has increased since we introduced gender mainstreaming. There is also a new consciousness in the financial sector as whole on the need to grow the women's market segment and to have greater gender diversity in decision making. I want to stress here that the latter was not about tokenism, the women that were been promoted were all very competent and capable.

I believe gender mainstreaming also brought about an awareness among the women themselves to be more assertive and to begin to claim their place. I hope this trend will continue.

**Which of the many accomplishments/activities/events are you most proud of?**

**TKM:** I believe in excellence and endeavoured to do my best in everything I did. Some of the accomplishments are as follows:

**Good Corporate Governance of the Bank**

I contributed to build the Bank into a strong institution guided by tenets of good corporate governance. This is evidenced by policies and procedures based on best practice that govern the whole spectrum of the operations of the Bank. This includes a Code of Ethics, a Nepotism Policy and a Sexual Harassment Policy. We reduced discretion to a minimum. I can proudly say the Bank of Zambia is a strong public institutions governed by the rule of law.

**Bank of Zambia Modernisation Programme**

I oversaw the broad-based central bank modernization programme covering the period 2011 to 2016 which involved collaboration between the Bank of Zambia, the International Monetary Fund (IMF), the Norwegian Ministry of Foreign Affairs and the Norges Bank. Among the areas covered was the movement to an inflation targeting monetary policy framework; payments system modernisation; enhancement of currency management arrangements; development and implementation of a framework for financial stability and strengthening of the overall organization of the Bank of Zambia. This programme made the Bank of Zambia fit for purpose of central banking in the 21<sup>st</sup> Century.

**Putting Gender on the Agenda of the Financial Sector**

In recognition of the need to bridge the financial inclusion gender gap and contribute to universal formal financial inclusion, the Bank allowed me to champion the inclusion of gender mainstreaming internally within the Bank and externally in the financial sector regulated and supervised by the Bank of Zambia and ultimately into the National Financial Inclusion Strategy. This enabled introduction of programmes and capacity building to help financial service providers better serve and grow the women's market segment. As you are aware, the FinScope Survey of 2015 revealed a formal financial inclusion gender gap of almost 10 percent.

This raised consciousness on the need for gender diversity in decision making. It is now

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# Scoring goals for Gender Equality

...*Changing hearts & minds...*

By Stella Nkhoma

This question always throws me! I'm many things for sure, but what I am most proud of my family- my husband Paul and my children Lucina, Mbabene and Tusekile.

I studied Law, and have a Masters in International Law and a Masters in Human Rights Law. I was a lecturer at the Copperbelt University, in the School of Business- Centre for Continuing Education, and in the School of the Built Environment.

I can honestly say that my professional life has not been boring. I have been a chameleon and have taken a seat at many tables. I have always worked in different capacities in the development arena looking at socio economic issues. I have worked for local and International Organisations, including the UN, USAID-ABT Associates, Embassy of Ireland, OXFAM, YWCA, Human Rights Commission and of course my very first job when I started my career at the Ministry of Justice (Legal Affairs back then).

## What is gender equality and why is it important in the context of the financial sector?

Gender equality means that the different behaviors, aspirations and needs of women and men are considered, valued and favored equally. It does not mean that women and men have to become the same, but that their rights, responsibilities and opportunities will not depend on whether they are born male or female.

It's important to note that women and men face different multiple and overlapping

barriers as they try to improve their lives and their economic circumstances. Growing evidence suggests that increasing women's access to and use of financial services can have both economic and societal benefits. In Zambia, women make up 51 percent of the total population but sadly, they are more likely to be financially excluded than men. The formal financial inclusion gender gap stood at 9.9 percent in 2015. Of course the ideal going forward would be half this number, or even completely not have a gap at all! The point is that it's essential that the underserved population is included into the larger financial ecosystem. Simply put, scale matters for banks.

The importance is the bottom line, the more players adding positively to that bottom line, the better. As the saying goes- "capitalism without capital is just plain -ism- and we can't live off -ism."

## What is your involvement with gender equality?

My involvement is both personal and professional. Obviously my job at the Bank and with various stakeholders takes care of the professional part. However, people who know me personally, know that I take equality, under the human rights umbrella, very seriously. I try and reflect the importance of equality, in all that I do. It's a lifestyle.



## When and where should the practice of gender equality begin?

Gender equality begins at home and families should be at the forefront for change. For the next generation, the examples set at home by parents, caregivers and extended family are shaping the way they think about gender and equality. Gender is not about biological differences between the sexes, rather, it's a social construct—people, that is you and I, define what it means to be a boy or a girl, and these social conditionings often force children to conform to specific and limiting gender roles and expectations from a young age.

There are many ways that we can contribute to gender equality from the domestic level. From breaking down gender stereotypes to



sharing the care work, and educating children about women's and men's rights and gender equality, and in this way we can inspire future generations in our families to know that equality should not mean that one's gain is another's loss.

### **How do you challenge culture with regards to gender matters?**

Racial segregation is a social construct. Apartheid is a social construct. Apartheid was formalized in law and served to institutionalize racial discrimination and the dominance by white people over people of other races. Harmful cultural beliefs and practices are a social construct, oppressive, and serve to reinforce gender inequality.

We must look beyond self-benefit, couching it as culture, and think of others. It's that simple.

Believe it or not the root of gender inequality, and the reason why there is so much resistance, is rooted in unconscious oppression. The fact that we are all socialized in the same society, this unconscious oppression can be wielded by men and women. Acting surprised, people like to point out that women can be the worst oppressors of each other. I always respond, that we undergo the same socialisation, so it's no surprise. Some of the best champions I know have been men, and conversely, some of the biggest obstacles have been women.

It is important to acknowledge that where gender inequality exists, it is generally women who are excluded or disadvantaged in relation to decision-making and access to economic and social resources. While the specific nature of gender relations varies among societies, the general pattern is that women have less personal autonomy, fewer resources at their disposal, and limited influence over the decision-making processes that shape their societies and their own lives. This pattern of disparity based on gender is both a human rights issue and a development issue.

The World Conference on Cultural Policies (Mexico, 1982), defined culture as ... The whole complex of distinctive spiritual, material, intellectual and emotional features that characterize a society or a social group. It includes not only arts and letters, but also modes of life, the fundamental rights of the human being, value systems, traditions and beliefs."

From time immemorial, culture has been used as a tool for oppression, by one group at the expense of others, and of course those who benefit are resistant to changing the status quo.

However, even those that are oppressed, justify their oppression because they have been conditioned to believe that this is how it's supposed to be. Oppression is the tool that preserves existing unjust social relations and protects existing monopolies of power/privilege by operating at



internalized, institutional, and interpersonal levels.

Next time you question some of our cultural practices and beliefs, and someone answers "but it's our culture" ..... I challenge you to respond that "racial segregation and apartheid are also culture; does that make those practices acceptable?"

### **What gender related issues do you feel strongly about?**

Harmful gender stereotypes and wrongful gender stereotyping are one of the root causes for discrimination, abuse and violence. A gender stereotype is a preconceived idea whereby females and males are arbitrarily assigned characteristics and roles determined and limited by their gender.

I feel strongly that because of the way we have stereotyped men in our society, we may be causing them more harm than good. Men's lives are just as strongly influenced by gender as those of women. Societal norms and conceptions of masculinity and expectations of men as leaders, husbands or sons create demands on men and shape their behavior. Men are expected to focus on the material needs of their families, rather than on the nurturing and caring roles

which are assigned to women. This brings to the fore many issues, such as paternity leave, which should be a benefit that a father should enjoy. Socialization in the family and later in schools promotes risk-taking behavior among young men, and this is often reinforced through peer pressure and media stereotypes of the macho strong man. So the lifestyles that men's roles demand often result in their being more exposed to greater risks of illness and death.

### **Why should gender equality be top priority in the Bank?**

The Bank of Zambia is leading the way and showing that gender equality can and will be achieved when people are able to access and enjoy the same rewards, resources and opportunities regardless of whether they are a woman or a man.

If someone believes that fairness, justice, and diverse visions and leadership styles are not assets in and of themselves, they should be convinced by economic reasons. Women are powerful drivers of economic growth whether in the workplace or the marketplace. It makes business sense for the Bank to ensure that its policies, operations and programs are gender

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# Blockchain technology as an emerging model for providing and transacting in financial services

By Kennedy Mukuka

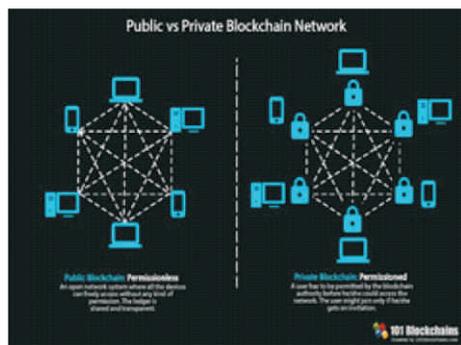
**Blockchain is still maturing as a technology and has already shown potential to revolutionise the financial ecosystem changing the face of banking and the way financial transactions and services are conducted.**

## What is a blockchain?

A blockchain is a decentralized, distributed, digital ledger or list of records called blocks, linked using cryptography that is used to record transactions across many computers so that any involved record cannot be altered retroactively, without the alteration of all subsequent blocks.

A distributed ledger can either be a public (open) or private (permissioned) blockchain;

- A public blockchain is one that is open and participants can join and leave the network at will, without a vetting institution or pre-approval requirements. The ledger has no central owner and copies are distributed to all network participants. Bitcoin and Ethereum are examples of open blockchains.
- A private blockchain is one in which members are preselected by an administrator of the ledger who controls network access and sets the rules of the ledger. Examples of private blockchains include Ripple and Hyperledger Fabric.



Source: 101Blockchains.com (Retrieved on 13/11/19)

The strength of a blockchain is in cryptography, which is a method of protecting information and communications through the use of codes so that only those for whom the information is intended can read and process it. The pre-fix "crypt" means "hidden" or "vault" and the suffix "graphy" stands for "writing".

Blockchain or Distributed Ledger Technology (DLT) is therefore a new way of documenting data on the internet, its application is vast and can be used to develop blockchain applications such as messengers, exchanges, social networks,

online shops, and any other programmable systems. Others have actually termed it "The Internet 3.0" One either needs a mobile phone, tablet or computer to access the technology.

## Background to blockchain technology

Intermediation was designed to instill confidence in people about the financial sector. However, this intermediary role that banks play contributed to the development of blockchain technology after the loss of confidence in the financial system following the financial crisis of 2008.

Blockchain technology is able to completely eliminate the financial intermediary by allowing transfer of digital value between two counterparties and decentralise record keeping without the need for a central authority to control the ledger.

## Can blockchain technology support financial inclusion?

One application of blockchain technology is its contribution to creating an inclusive financial sector. Blockchain is important for financial inclusion because it addresses the main barriers that limit access to financial services by the marginalised and excluded people from accessing formal financial services by enabling;

### Trust

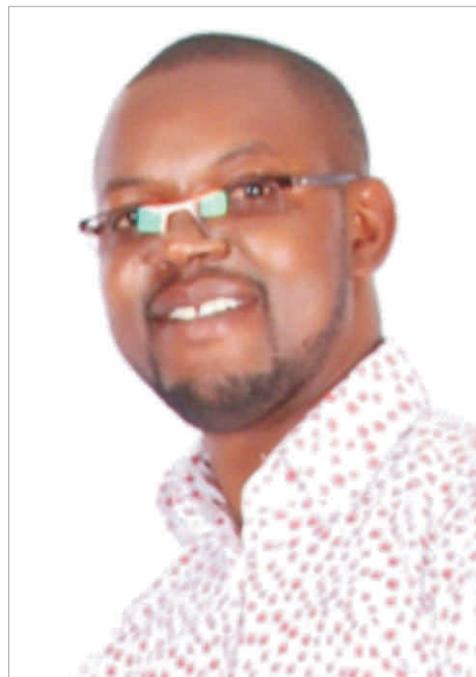
This is key for financial inclusion because evidence shows that people are excluded, amongst other things, because they do not trust their money with the banks.

Eliminating the middle man ensure that transactions move Peer to Peer (P2P) a concept which resonates well with many people if it operates within an efficient and effective system. This is able to translate into lower transaction costs and faster time to market.

### Cross border transactions

Further, this advantage of lowered cost due to the elimination of the intermediary enables easing of cross border payments and remittances due to removal of correspondent banking network settlement costs.

### Transparency



Some of the financially excluded people believe that Financial Service Providers (FSPs) take their money through transaction cost or unclear fees and face increased risk of fraud.

Blockchain technology enhances transparency of financial transactions because transactions of each public address are open to viewing and all members in the network have a full copy of the distributed ledger.

Changes are only made when consensus is established and transmitted in real time across the network. This is able to reduce reconciliation time and reduce chances of fraud.

### Reliability via smart contracts

Blockchain technology uses smart contracts which are pre-agreed conditions that are automatically executed once certain conditions hold.

The counterparties have the same record of the transactions and it executes the moment the transaction is completed unlike traditional smart contracts that require the counterparties to agree and reconcile the underlying transaction recorded in a central system. They may even take days to execute. Financially excluded rural people largely depend on subsistence and small scale farming for their livelihood.

Therefore, smart contracts are able to ensure that they receive immediate payment at a reduced cost once the transaction is fulfilled. Additionally, access to finance is also made easy and affordable for them.

### Accessibility

Finally, some rural people are unable to

access financial services because they are unable to meet Know Your Client (KYC) requirements. Sometimes the issuance of government national identification documents is not widely distributed throughout the country thereby excluding remote rural dwellers. Yet still some people lack KYC documents because they are displaced from their countries.

Blockchain technology is able to eliminate this barrier as anyone is able to open an account using other digital identities that do not require the usual KYC documentation. This is able to allow the excluded to access a full range of financial services. This feature also means that there is no need for people to set up a bank account with a formal financial service provider but can have a decentralised global account.

### **What is stopping the traction of blockchain to enhance financial services?**

The technology is fairly new and the world is still unsure about the direction, robustness and resilience of DLT for large volume transactions and availability of regular hardware, software and adequate human resources. More pertinent challenges affecting the widespread use and adoption of this technology include:

#### **Disruption and regulation**

It is unclear whether blockchain systems can work within existing regulatory landscapes amid the new challenges the technology poses for regulators.

The technology has capability to function without intermediary roles FSPs play or the central bank thereby causing significant disruption to traditional banking and generally the financial ecosystem.

Public blockchains are not owned or controlled by anybody nor the information in the ledger stored with an identifiable central entity – there is no centralised infrastructure.

Regulators are therefore faced with the difficult to identify what or whom to supervise and hold accountable. Regulators are unable to ensure governance of the infrastructure or any regulated entity. Further, it creates a barrier for FSPs to venture into blockchain technology because it entails operating outside regulatory requirements.

#### **Cost and scale**

Maintaining a public Distributed Ledger (DL) is very costly. The computers in the network require more computing power to solve algorithms known as 'proof of work' to validate transactions in the blockchain network as well as incentivise the nodes in the network.

A 2017 World Bank report on DLT indicates that if the Bitcoin network were to scale to the levels of usage of existing payment systems like Visa and MasterCard, the electricity required would exceed the current global electricity consumption.

#### **Efficiency**

Existing public DLs have limited transaction speeds. For instance, Bitcoin can only process about 4 to 7 transactions per second due to limitations in the block size compared to an average of 1,700 to 2000 transactions per second processed by traditional payment systems such as Visa with capacity to process volumes multiple times this number. However, private blockchains can process higher transaction volumes but lack global scale and are less transparent platforms thereby remove the many benefits of blockchain technology.

#### **Interoperability**

To scale and introduce DLs into the financial system, they will need to be interoperable with other ledgers and integrated with existing systems. Such an exercise would require industrywide collaboration and would be very expensive.

DLs are generally siloed and therefore institutions such as the R3 CEV are attempting to develop DL frameworks specifically for the financial sector that allows limited visibility to transactions, use of existing industry standard systems, interfaces with other DLs and uniformity between smart contracts and actual legal prose.

#### **Cybersecurity**

Even though the technology at the core of blockchain has never been compromised since the time of publication there have been hacks that have occurred at the access interface to DLT.

Cybersecurity risks around blockchain remain heightened because there is no system that is 100% immune to technical vulnerabilities. Concerns remain of a hacker in an open blockchain taking over more than 50% of the network computing power and lying to the network by manipulating consensus.

#### **Due diligence and KYC**

Public blockchain technology systems disguise the identity of network members by using public key encryption, which makes it difficult to comply with existing Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regulations. This implies that the technology cannot be adopted in the financial system until Customer Due Diligence (CDD) and KYC requirements are complied with.

#### **Consumer Protection**

Public DLT does not have a scheme authority to establish a reversal transaction framework for erroneous transactions or incomplete transactions which can lead to issues with accessing funds.

The immutability of distributed ledgers means that once a transaction is initiated there is no reversal and it is final.

Therefore, regulators raise concern about the recourse mechanism for disputed transactions.

#### **Environment Footprint**

Validation of blockchain transactions using proof of work consumes a lot of electricity due to the vast amounts of computing processing power that is used.

This is not just costly for FSPs but poses a challenge for the regulator as efforts are made to introduce green and climate change finance policies.

#### **Conclusion**

Blockchain technology has the potential to outweigh existing traditional financial technologies as an emergent model for providing financial services.

The potential of blockchain can lead to greater financial access and inclusion through applications such as digital currencies, digital identify systems, cross border payments and remittances and asset registries.

However, the technology is yet to mature and its challenges currently surpass all its benefits. The technology still remains costly to run, to scale up and increasingly difficult to regulate and integrate in the financial ecosystem due to cyber security concerns in case of a takeover, lack of governance and consumer protection issues.

Institutions have still not let this deter exploring the potential of blockchain technology in the financial system. A number of institutions are creating private DL applications and solutions that are targeting both the financially excluded and banked population.

For instance, Shanghai Huarui Bank of China announced in 2016 that it would use Ripple for payments and settlements including remittances for the USA and China corridor. Ripple is a real-time gross settlement system, currency exchange and remittance network created by Ripple Labs and has its own cryptocurrency called XRP.

Bitpesa is offering cross border payments for East African countries and China. Some cross border traders are paying Chinese suppliers using Bitcoin.

This service does not require one to own a bank account or any form of financial intermediary.

The Singapore government in collaboration with HSBC Holdings Plc and Mitsubishi UFJ Financial Group, Inc. successfully completed a proof of concept for KYC blockchain making it the first ever proof-of-concept for use of blockchain in a KYC project.

In this regard some governments, central banks and non-governmental organizations have taken an interest into blockchain technology and are making steady strides in harnessing its application potential in the financial sector.

Its ability to increase financial access for the marginalised and financially excluded remains minimal but there is no doubt that the technology is improving.

**Kennedy Mukuka is Acting Manger – Financial Sector Development Division**

# An Introduction to enterprise architecture

## What is enterprise architecture?

By Mwanza Namwila Mwaba

The Bank of Zambia, for some years now, has recognised the importance of establishing an Enterprise Architecture to the extent of having its development and implementation included within the Bank's strategy as a key objective. An Enterprise Architecture is a key practice that enables an organisation to better analyse, design, plan and implement business objectives. Simply put, an Enterprise Architecture is a comprehensive blueprint of an organisation.



Business Architecture	This describes how the enterprise is organisationally structured and what functional capabilities are necessary to deliver the business vision. Business architecture addresses the questions WHAT and WHO: WHAT is the organisation's business vision, strategy, and objectives that guide creation of business services or capabilities? WHO is executing defined business services or capabilities?
Application Architecture	This describes the individual applications, their interactions, and their relationships to the core business processes of the organisation. Application architecture addresses the question HOW: HOW are previously defined business services or capabilities implemented?
Information / Data Architecture	This describes the structure of an organisation's logical and physical data assets and data management resources. Knowledge about your customers from data analytics lets you improve and continuously evolve business processes.
Technology Architecture	This describes the software and hardware needed to implement the business, data, and application services.

The Enterprise Architecture domains are connected through different relationships that exist between them. The diagram below illustrates some of these relationships:

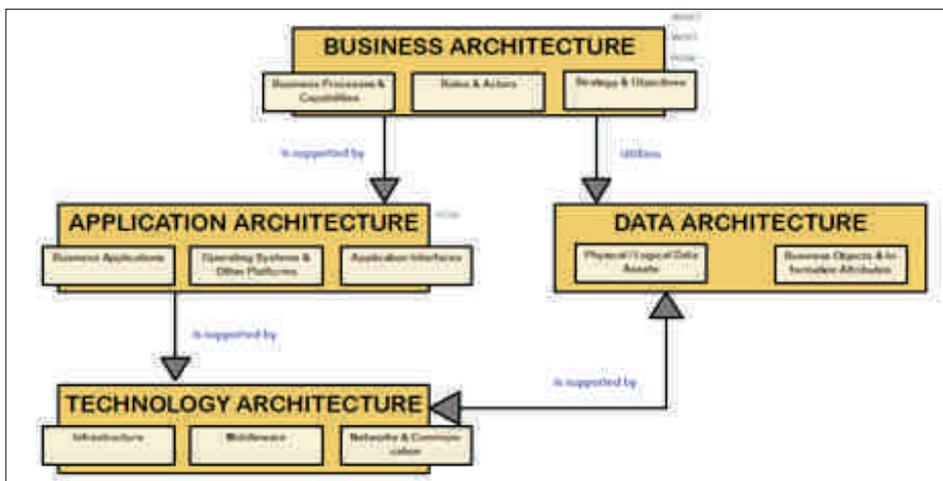


Figure : Relationship between Enterprise Architecture Domains

Whenever an organisation embarks on an Enterprise Architecture initiative, a number of questions arise: What is Enterprise Architecture? Why is Enterprise Architecture important? How does Enterprise Architecture affect us? How long will the Enterprise Architecture take to be completed?

This article aims to address some of these questions and a few others in an attempt to provide a high-level appreciation of Enterprise Architecture at the Bank of Zambia.

### Why is Enterprise Architecture important?

In answering this question, let us consider the analogy earlier introduced. Consider building or altering a structure without a blueprint and the challenges one would face in such a scenario; resource wastage due to changes, unpredictable outcomes, inefficiencies and delays are a few examples of the possible challenges.

Now extrapolate these challenges to a similar scenario of developing or changing the structure of a business without an Enterprise Architecture. The impact would be significant!

Having an Enterprise Architecture enables an organisation to align business and IT in order to deliver desired benefits, manage changes and complexity. Used correctly, Enterprise Architecture could deliver great value to the organisation through:

- enhancing decision-making,
- improving system implementation,
- enabling strategy execution and,
- facilitating project portfolio management
- reducing risks and costs

The table below shows some statistics relating to the value that Enterprise Architecture can bring to an organisation:

ENTERPRISE ARCHITECTURE VALUE	
<b>Reduce Costs</b>	<ul style="list-style-type: none"> <li>Application rationalization - 15% on run costs</li> <li>License optimization - 30% on licencing costs</li> <li>Vendor consolidation - 22-28% on total cost of ownership (TCO)</li> <li>Use collaboration tool - 20-25% productivity increase</li> <li>Searchable records - 35% of time searching for information</li> </ul>
<b>Reduce Risk</b>	<ul style="list-style-type: none"> <li>Avoid IT incidents - 600,000€ per incident</li> <li>Be compliant - 60% lower costs than non-compliance</li> </ul>
<b>Be more agile</b>	<ul style="list-style-type: none"> <li>Effective knowledge sharing - get ahead of 75% companies</li> <li>Systematic complexity management - increase EBIT by 3 - 5 percentage points</li> </ul>

Figure : Enterprise Architecture Value - LeanIX

With an Enterprise Architecture, the organisation has a view of the following:

1. Current state of affairs across all the domains,
2. Desired future state, and
3. A roadmap in order to transition from the current state to the future state.

### Enterprise Architecture at Bank of Zambia

Enterprise Architecture is usually defined according to a selected framework. In the case of Bank of Zambia, this framework is TOGAF (The Open Group Architecture Framework). This framework is a renowned industry standard that leading organisations around the world align their Enterprise Architecture practice to. It is also the agreed standard for central banks within the SADC region.

Within the Bank of Zambia, Enterprise Architecture is a centralised and unified convergence of information in the form of models. The Bank's intention is to have this information readily accessible to employees for various needs from decision making to induction training. Ideally, all IT and Business projects or initiatives should have an interface with the Enterprise Architecture from conception.

By doing this, more efficiencies, better business and IT alignment and effective collaboration can be achieved.

The Bank of Zambia has been running an Enterprise Architecture project that aims to deliver all relevant artefacts across each domain reflecting the current and future state of the Bank accompanied by the roadmap to bridge the gap.

The ever changing environment that we live in and the constant technological advancements that come with new opportunities to transform the organisation will always demand organisational change. In order to stay on top of industry trends and

disruptions, the Bank of Zambia can leverage the use of architecture principles and practices. There is a need to carefully consider the current and future landscape of the enterprise in order to identify, analyse and understand the continuous changes' impacts. Currently, great strides have been made in order to define the current landscape of the Bank of Zambia in all the

domains and establish Enterprise Architecture as a continuous discipline. The journey continues.

*Extract from the article "Critical Questions In Enterprise Architecture Research" Svyatoslav Kotusev, International Journal of Enterprise Information Systems, volume 13, Issue 2, April 2017.*

## Scoring Goals for Gender Equality

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responsive and contribute towards reducing the gender gap. Persistent gender gaps not only impact women, but are damaging to the socioeconomic development of the country. Gender inequality is a disadvantage to Zambia, especially since we must compete in global markets where countries around the world are taking steps to decrease gender gaps and improve their economies.

### What are some of the gender related projects you have undertaken?

I've been in human rights/development related work for the past 20 years and have been fortunate enough to work on various programs and projects. I am most notably proud of my role in;

- The development of the Bank of Zambia Gender Policy and Strategy- which guide our gender mainstreaming activities.
- The Social Cash Transfer (SCT) program. This is Zambia's Social Protection flagship program which is part of the Economic Recovery plan. The main objective of the program is to reduce extreme poverty and intergenerational transfer of poverty especially in female headed households,

Providing access to effective social protection instruments to the poor and the vulnerable.

- The development of the United Nations Joint Gender Support Program for Zambia.

### What does the future look like for gender equality and financial inclusion?

I think the future looks promising. We had a bit of a slow start, but I think that changing mindsets and the realisation that the economy depends on everyone's participation, has catalyzed the financial sector towards more targeted and customer centric products and services.

### Your last words

My personal philosophy is based on the English philosopher Mary Wollstonecraft's words. She said "I do not wish women to have power over men, but over themselves."

*The author is a Gender Mainstreaming Specialist in the Strategy and Risk Management Department*

Article Source: The Impact of Gender Inequality in Education and Employment on Economic Growth: New Evidence for a Panel of Countries, Stephan Klasen and Francesca Lamanna, Feminist Economics, 2009.



# Before you blow the whistle

By Kapulwa Kaunda – Silavwe

**Whistleblowing is the voluntary release of non-public information as a moral protest or responsibility by a member of an organisation and/or member of the public to Management or to an audience outside the normal channels of communication. This information may relate to an illegal or immoral conduct that is opposed to the organisations interest, Policy and well-being.**

Therefore, a whistleblower is a person who denounces illegal or wasteful practices. The term comes from the expression “blow the whistle” and refers to a sports official who calls a foul during the game. When corporate wrongdoing occurs, calling foul as soon as possible can save an organisation millions in fines and legal fees and preserve a priceless reputation.

The outcome of whistleblowing depends on how the foul is called. Poorly handled, whistleblowing can cause harm to an organisation through lengthy lawsuits, negative news coverage or other embarrassing exposure. For a member of staff, it may mean investigations, embarrassment and possibly income loss. Correctly handled, a whistleblower's report to an organisation can help correct issues before they turn into big problems. This is why the Strategy and Risk Management Department through the Compliance Function welcomes reports of any wrongdoing, illegal or unethical practice. The Function wants all members of staff and stakeholders to understand the implications and issues involved in whistleblowing so that it is easier to evaluate a situation and take appropriate action.

## Smart Whistleblowing

As guided by the Bank's Whistleblower Policy and Procedures, the following considerations should be taken into account before blowing the whistle, when reporting suspected or actual occurrence(s) of illegal, unethical or inappropriate behaviour or practices:

- That whistleblowing is a very serious matter. A Whistleblower should therefore not frivolously blow the whistle as the results can be negative for everyone involved;
- That if an illegal or unethical practice is identified, members of staff must blow the whistle;
- That concerned members of staff may seek the counsel of someone they can trust outside of the situation to provide an objective perspective. A disclosure made to someone for purposes of getting such advice is protected under these Procedures; and
- Whistleblowing made in line with the Bank's Whistleblower Policy and Procedures is protected in line with the Public Disclosure (Protection of Whistleblowers) Act, 2010.

Issues that are illegal, unethical, or dangerous must be brought to the attention of the

Compliance Function as quickly as possible. Experts from government agencies, regulatory groups, and the court system say that the best way to get results is to work within the system, using internal reporting channels and mechanisms.

Therefore, the channels for raising concerns and issues by members of staff include the following:

- Formal letter to the Compliance Function or Governor;
- Through the “open door policy”;
- Drop Box and;
- Through a dedicated email address: erm@boz.zm.

## Reporting Leads to Positive Change

The Bank's reporting channels share some important characteristics with those of other organisations:

- Reports can be anonymous. For those who do provide their name, confidentiality is respected, as far as a careful and professional investigation allows;
- All good faith reports are taken seriously and investigated fully;
- During an investigation, we involve only those who must be involved. Steps are taken to preserve confidentiality, and appropriate experts are consulted;
- Once an investigation is concluded and necessary changes are made, members of staff are informed of the changes.

## Our Commitment to Respond

Anyone reporting a problem in good faith is protected from retaliation as we take legitimate complaints very seriously. Members of staff who report concerns through appropriate internal channels play a vital role in the Bank of Zambia. Learning about these issues early gives our us an edge because we have time to respond and correct problems before they grow.

In most cases, whistleblowers are sometimes labeled as troublemakers or tattletales often because they raise difficult issues. In some companies they've been subjected to humiliation, retaliation, and even job loss. However; Bank of Zambia understands that silencing whistleblowers-- “shooting the messenger” -- solves nothing in the long run. Beyond the problems it can inflict on the Bank's performance and culture, ignoring or retaliating against whistleblowers violates the law. We encourage members of staff to report concerns through our internal reporting channels as highlighted above.



## Frequently Asked Questions

**I have observed an issue that I believe violates the Bank of Zambia policies. How can I decide whether to report the issue?**

You must report anything that is against our policies or the law. Bank of Zambia is committed to taking every report seriously. Each report will be fully investigated. If you are not sure, or if you need clarification or help, do not hesitate to contact the Compliance Function.

**I'd like to bring a problem to someone's attention, but how do I know who to tell?**

The Compliance Function is the primary recipient of the Whistleblower concerns and issues. Therefore, the channels for raising concerns and issues by members of staff include the following:

- Formal letter to the Compliance Function or Governor;
- Drop Box;
- Through the “open door policy” and;
- Through a dedicated email address: erm@boz.zm.

**I reported something and now I'm sure my supervisor is singling me out. What do I do?**

Immediately contact the Compliance Function. The Bank has a zero-tolerance policy for any type of retaliatory behaviour.

**A report was made against my colleague that I'm sure is not true. What should I do?**

Contact the Compliance Function to state any information that you may know about the situation that was reported. Your new information will be included into the ongoing investigation.

*The Author is a Compliance Specialist in the Strategy and Risk Management Department*

# Diversity insight – managing generations in a work place

By Siphwiwe N. Mwaba

Today's business environment may be the first to include four different generations working side by side toward shared economic and commercial goals. For business owners and executives, managing multiple generations in the workplace may not be as easy as it sounds. Each defined generation can have different expectations, communication styles, and perspectives.

Nevertheless, adopting a management strategy that addresses the distinctive characteristics of different generations in the workplace can allow employers to harness the respective strengths of their workforce. The Labour pool is more diverse than ever and it is no secret that the Bank's demographic profile is also changing and equally composed of the four generations. We are all therefore required to constantly work productively with "different" people.

## What is the generational gap in the workplace?

According to Wikipedia, A generation gap or generational gap is a difference of opinions between one generation and another regarding beliefs, politics, or values. In today's usage, generation gap often refers to a perceived gap between younger people and their parents or grandparents.

The generational gap in the workplace is, broadly speaking, the difference in behavior and outlook between groups of people who were born at distinctly different times. Each generation grows up in a different context and, as a result, may have different work expectations.

## The four generations in the work place

The book, *Generations at Work*, by authors Zemke, Raines, & Filipczak, provides useful information for understanding each generation and working with them effectively. Each generation is shaped by its year of birth, age, and critical events that occurred in society. These differences give each generation unique work values and work ethics and preferred ways of managing and being managed

There are many benefits of a multigenerational workforce. Each generation can have varied strengths and concerns, and differences in styles and expectations can sometimes create tension. Recognising the potential for conflict and taking steps to proactively minimise that potential can help ensure a positive environment for all—one in which multiple perspectives and generations can thrive. Further, studying the work habits of each

generation and proactively anticipating their needs can help companies devise effective human capital management strategies.

- Generation Z (1997–2012)
- Millennials (1981–1996)
- Generation Xers (1965–1980)
- Baby boomers (1946–1964)
- Silent generation/Traditionalist (born between 1928 and 1945)

**Baby Boomers (1946-1964)- More Reserved in Communication- Top Qualities of a Manager are being Ethical , fair and consistent- Idealists and Revolutionary**

**Generation X (1965-1980)- View Change as a vehicle for opportunity- Embrace a hands off management policy- Enterpenuerial spirit and result oriented**

**Millennials (1981-1996)**  
- looking to be coached and mentored  
- prefer collaborative and technology centric training  
Aligning with company values is key

**Generation Z- Accustomed to change and expects it in the work place- Look for feedback on a frequent and on-going basis- Value in person intractions**

## Multigenerational workplace and management styles

While there are exceptions in every generation, knowing your teams general framework of experience can help you understand their point of reference and set management policies appropriately. We do recognise that there's no one-size-fits-all approach to managing multiple generations in the workplace; leaders need to adapt as their workforce changes and grows.

In an article for Harvard Business Review, Rebecca Knight offers some practical advice that can help ensure positive interactions:

- **Don't Dwell on Differences.** There seems to be a tendency to focus more on what is different about each generation than on what similarities might exist. Avoid the potential to accept as true the stereotypes about various generations; be alert to language that perpetuates stereotypes. Most stereotyping is false and even if there are surface differences, these don't make a difference in performance. Avoid making assumptions about employees from different backgrounds. Instead, look



at each employee as an individual and judge successes and failures on the individual's merit rather than attributing actions to their background.

- **Build Collaborative Relationships.** We understand and appreciate others more when we have the opportunity to get to know them. Creating opportunities for employees of different generations to interact in both work- and non-work-related settings can help to build relationships and minimise misunderstandings. We need to diversify our work teams to allow employees to get to know and value one another on an individual basis this can help break down preconceived notions and cultural misunderstandings.
- **Prioritise Communication.** To manage a diverse workplace, organisations need to ensure that they effectively communicate with employees. You need to understand the demographics of your workplace as well as employee communication preferences. An annual survey can be used to help identify both differences and similarities between various employee groups.
- **Create Opportunities for Cross-Generational Mentoring.** This can work both ways—don't automatically assume that younger generations will be mentored by older generations. All age groups have opportunities to learn from each other.
- **Consider Life Paths.** Understand where your employees are in their life paths in

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# It has been an incredible journey-TKM



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well documented that gender diverse teams make better decisions that lead to better outcomes. To some extent, it is almost common sense. If you exclude half your population, you cannot get a 360 degrees view. It is about giving capable women equal opportunities. A lot of people do not realise they hold unconscious biases which work against the progress of women in the workplace.

## Development and Implementation of a Framework for Collection of Supply-side Sex Disaggregated Data

Pursuant to the Bank's strategic objective to increase formal financial inclusion, the Bank secured an international policy grant to support the establishment of a framework for collection of supply side sex disaggregated data to inform formulation of new policies, strategies and regulatory measures for increasing women's financial inclusion in the

medium to long term in Zambia. My office presided over the development of the framework which is now being deployed in the financial sector.

## Leadership Development Training

Some people are born leaders but the majority of leaders are made. Recognising that the Bank of Zambia had many capable and competent technocrats that needed to be developed into good strong leaders, we introduced the leadership development programme. I received very good feedback that the programme was not only useful in the workplace but also in the private lives of our officers.

## Outstanding Woman Lawyer Award by the IBA

During my term as Deputy Governor, I was awarded the 2014 Outstanding Woman Lawyer of the Year Award by the International Bar Association. I have also

received several other awards both at home and abroad.

## Member of the World Bank Group Advisory Council on Gender and Development and the African Women's leadership Fund Advisory Board

I was appointed to the World Bank Group Advisory Council on Gender and Development and the United Nations Economic Commission for Africa's African Women's leadership Fund Advisory Board because of my work to promote women's financial inclusion.

## What would you like to be remembered for as you leave the Bank?

**TKM:** My strong and firm leadership, which I believe was just and fair. Early in my life, I adapted a prayer from the Anglican Liturgy to guide my life and work as follows:

*"Father Almighty, I offer myself to you as a living sacrifice, through Jesus Christ our Lord. Send me out into the world, in the power of the Holy Spirit, to live and work to your praise and glory."*

I strived to acquit myself well in this regard. It is for others to judge how well I succeeded.

## What does the future hold for our DGA?

**TKM:** I am looking to the future with confidence and optimism. I have reflected and found my mission, advocating for the equality of women and men as a means to making our world a better place. Gender equality and the empowerment of women in Zambia and beyond, especially through financial inclusion, will be my main focus.

## Your Last words

I leave the Bank only with gratitude and would to take this opportunity to express my deep appreciation to the appointing authorities who gave me an opportunity to serve the country at the executive level of this pinnacle institution. I also wish to thank the Board, Management and staff for the support accorded to me directly and indirectly. It has been quite humbling to receive so many messages of appreciation at all levels.

I would also like to congratulate and wish success to my successor, the new Deputy Governor for Administration Mrs Rekha Chifuwe Mhango. I also wish Governors, Dr Denny Kalyalya and Dr Francis Chipimo all the success as the three take the Bank forward. Mrs Mhango and Dr Chipimo represent the new generation of leaders to take the Bank into the future and should be accorded all the support.

I also urge all members of staff to consider their work for the central bank a great privilege. Working for the Bank of Zambia is not an ordinary job. They should be professional, committed and loyal to the institution because their work fundamentally impacts the country.



# Frequently Asked Questions about financial education

Financial education is the ability to understand how money works. It is the art of investing and managing money and the ability to make sound financial decisions.

## 1: Why is financial education important and how is it linked to financial consumer protection.

A. If a customer does not understand the product or service or the terms and conditions attached to it, chances are they will not know when they are being treated unfairly.

## 2. Why is this important for financial inclusion?

A. If customers do not understand the products and services offered by FSPs, they will most likely decide to stay away from the financial system and use informal methods such as Chilimba or indeed just put their savings in the mattress.

## 3. Going more into financial education, what is the difference between a fixed and variable interest rate?

A. Variable interest rates change in line with the factors that underpin it. In this regard most loans have been linked to the Bank of Zambia Policy rate and naturally other economic fundamentals such as inflation. Fixed Interest rates means the interest payments remain the same throughout the term of the loan.

## 4. What type of interest is mostly used in the Zambian market.

A. The most common type of interest rate used is the variable interest which means the interest rate charged on a loan will change from time to time. Because of this it is very important for customers to ensure that they know the interest rate charged on their loan and the repayment amount at all times to avoid inconvenience.

## 5. What happens when interest rates rise on the variable interest loans?

A. The FSP should inform their customer when this happens. This notification takes many forms and is usually indicated in the loan agreement. The common ways in which FSP inform their customer is through notices in the press and SMS notifications on the cell phone.

## 6. Does this mean the FSP will increase the monthly loan repayment amount by the customer?

A. The increase in interest rates will result in the increase of the total loan to be repaid by the customer. This increase

can be dealt with either by increasing the monthly repayment or increasing the loan tenure or both. In April 2019 the BoZ issued a circular to direct FSPs not to arbitrarily increase the loan tenure but to allow the customer to decide how best they wish to clear the increased interest on their loan.

## 7. Are customers able to manage their loans after interest rate increase.

A. We note that a lot of customers fail to manage their loans after the interest rates have increased mostly because they do not keep up to date with what is happening on their loan account until the FSP advises them that their loan is in arrears. Customer are entitled to a free statement every month but most do not collect it.

## 8. Can anyone access a loan.

A. Before granting a loan, FSPs usually consider what are usually called the 5 Cs. Capacity, Character, Collateral, Capital and Conditions.

## 9. Of late we have witnessed a lot of frauds committed using mobile or internet platforms. What is your advice on this matter?

A. Do not disclose any of your banking details or other personal information such as NRC, PIN number to anyone.

## 10. Some people have complained that they invested funds in a company selling Cryptocurrency and they lost their money.

A. The BoZ has urged the public to be wary of investments promising huge returns in a very short time. Also to always deal with FSPs duly licensed by respective regulators

## 11. How would you tell that an institution is duly licensed by the BoZ.

A. A licensed financial service provider is, by law, required to display the original or certified copy of their license. The license must have the following details:

- The name of the financial service provider.
- Address of the principle place of operation.
- The logo and identifying marks of the Bank of Zambia.
- The license number and type of license e.g. microfinance, financial institution, etc.



- The signature of the Registrar of Banks, Financial Institutions and Financial Businesses.

Check the Bank of Zambia website [www.boz.zm](http://www.boz.zm) for the list of all licensed financial service providers.

## 12. What is one expected to do if they discover that the institution they are dealing with is not licensed?

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

Phone 0211-399300; 0971270120

## 13. I have heard some people using the terms money circulation scheme and Ponzi Scheme in describing unauthorised financial activities. What do these terms mean?

A. A money circulation scheme is “a scheme, plan, arrangement or understanding, between two or more persons which involves the pooling and distribution of funds by recruitment of subscribers, the continuation of whose existence and the realisation of any of its benefits substantially depend on the incremental recruitment of subscribers from the public for an unspecified period”.

A Ponzi Scheme is a fraudulent investment operation that pays returns to its investors from their own money or the money paid by subsequent investors, rather than from profit earned by the individual or organisation running the operation. The Ponzi scheme usually entices new investors by offering higher returns than other investments, in the form of short-term returns that are either abnormally high or unusually consistent. Perpetuation of the high returns requires an ever-increasing flow of money from new investors to keep the scheme going.



# Tour of duty

## Brenda at the Dutch FMO

By Brenda Phiri

**In its quest to promote financial inclusion, BoZ has several strategic partner engagements. One such partner is the Financierings-Maatschappij voor Ontwikkelingslanden FMO of Netherlands.**

FMO is a development bank with a committed portfolio of EUR 9.8 billion spanning over 92 countries, making it one of the largest bilateral private sector developments banks globally. As a leading impact investor FMO believes a strong private sector leads to economic and social development. FMO therefore supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects, financial services providers and entrepreneurs, among others. FMO focuses on three sectors that have a high developmental impact:

- Financial Institutions;
- Energy & Agribusiness; and
- Food & Water.

From 2017, Bank of Zambia (BoZ) has collaborated with FMO to reduce inequalities in the provision of financial services and promote the growth of investments by financial institutions in SMEs. This collaboration is founded on the strategic priorities and commitments that both BoZ and FMO have

made towards financial inclusion, particularly to reduce inequalities experienced by marginalised groups such as women, youth and the forcibly displaced persons. The areas of collaboration include:

- Capacity Building for financial services providers to develop a Women's Market Programme.
- BOZ has granted FMO Zero percentage risk weighting for exposures carried by Zambian Banks under the NASIRA Risk Sharing Facility.
- Capacity building for BoZ staff through the secondment of Ms Brenda Phiri to FMO from September to December 2019.
- High level stakeholder round table meeting to be held with various financial service providers in 2020.

This article presents a summary of the key lessons learnt by Ms Phiri during the secondment program.

I was attached to FMO's Financial Institutions-Africa (FI-Africa) department from September

to December 2019. In line with the departmental objectives, My programme included assessing key literatures, FMO's policy documents and value proposition on gender finance; Mapping and documenting gender finance opportunities and activities, working on a convertible grant proposal for Women Investment of Senegal; designing together with the NASIRA team a plan for collaboration with Central Banks in Africa and Client Credit Review for FMO clients.

### KEY LESSONS

#### Alignment of Strategic Plan VS SDG

Part of my assignment involved assessing key FMO policies. Brenda noted that FMO's 4 year Strategic Plan (2019-2023) is well aligned with the United Nations 'Sustainable Development Goals (SDG) and is focusing on sectors and regions where there will be greatest impact on job creation (SDG 8), reducing inequalities (SDG 10) and increased share of green (SDG 13).

Each department identifies the SDGs they wish to support in their work streams in addition to the organisational SDGs. For instance in Financial Institutions Africa the team had included SDG 5 (Gender Equality). No project is supported if it is not aligned with the departmental or organisational goals. This notion is embedded in FMO's culture, values and the way the organisation is organised including the office layout. FMO regularly reviews its internal process to assess whether there are any misalignments with its mandate and appropriate adjustments made.

#### FMO Research on Non-Financial Services

I was part of the team providing oversight to a consultant engaged by FMO to develop a business case for non-financial services to women-owned SMEs. FMO has entered into a strategic partnership for joint research, shared learning on enhancing access to finance for women-owned SMEs in emerging markets through the Women Entrepreneurs Debt Fund engagement with financial institutions.

- The WEOF is a comprehensive global initiative in collaboration with commercial investors and other donors to enhance women-owned SMEs access to finance globally on a sustainable basis. The objective of the facility is to reduce the financing gap for women entrepreneurs in developing countries.
- The objective of the research is to gain insights on how women entrepreneur's usage of non-financial services offered by financial institutions have an impact on Women Small and Medium Enterprises, and how it translates into portfolio expansion and enhanced quality, business growth and profitability for the financial institution.
- I facilitated for the inclusion of Zambian financial service providers in this research. The findings of the research are expected to be ready by mid-2020.

#### Portfolio Review

I worked with Investment Officers and Portfolio Analysts to conduct a review of selected FMO clients, as part of FMO's policy to have annual client reviews. The portfolio review revealed that, IFRS 9 implementation is having a significant impact on financial results for most financial institutions. Financial results are becoming less predictable with increased



volatility in profits as a result of increased loan loss provision which is based on expected loss impairment model compared to the incurred model as per IAS 39.

An analysis of some African portfolios indicated that in 2018 or 2019 some central banks adjusted their policy rates upwards hence resulting in high interest rates. With these adjustments, some financial institutions reduced their lending to private sectors in preference for government paper which is considered less risky. In the Netherlands, the Dutch Central Bank is considering introducing measures to limit the amount of government paper on bank balance sheets.

### Responding to Technologic Innovation

FMO has set up a dedicated FinTech team to help FMO clients on the digital transition journey. These fintech efforts are also supported by the country's central bank, the Dutch National Bank (DNB). The DNB has set up an Innovation Hub and regulatory sandbox' to allow room for innovation without increasing risks. It is expected that over the coming years, the capacity of Innovation Hub and Regulatory sandbox will grow in line with market developments.

As part of its RegTech initiatives and in an effort to strengthen risk based supervision, DNB is expected to introduce Data driven supervision intended to detect risk more quickly and effectively and effective monitoring of the quality of data that regulated institutions provide. Other key developments being undertaken by the central bank include introduction of real time supervision, digitising supervisory processes such as Digital Supervision Portal (DLT), for authorisation and fit and proper applications, and Digital Reporting Portal (DLR) for reporting (*DNB 2018-2022 strategic plan*).

### Support to SMEs

In Zambia, FMO has investment in financial institutions and Agriculture sector and is looking to increase its support in Zambia, in line with its developmental goals and has a number of financing tools aimed at supporting SMEs such as Building prospects and Nasira:

- **Building prospects** focuses on strengthening local economies of low-income countries and creating jobs and prospects for the poor through investments in the agricultural sector and the enabling infrastructure, with attention to climate resilience. The primary goal of this facility is private sector development. A thriving and efficient agribusiness sector needs infrastructure, with access to energy and water, but also to logistics and transport. The effects of climate change can already be felt and the poor are most vulnerable. Investing in long term improved prospects means climate mitigation and resilience are key. The facility intends to build a portfolio with a gender and a climate scope with long term financing for large infrastructure projects with loans up to Euro10m. In 2019, FMO commissioned a study with Lady Agri with the aim of extending this financing facility to women farmers in Zambia.
- FMO and the European Commission (EC) signed the agreement for the **NASIRA** Risk Sharing Facility for an amount up to €75



million for a period of four years. The facility targets mainly Tier 1 and Tier 2 financial institutions, and Tier 1 microfinance institutions in the sub-Saharan Africa and European neighbouring countries region. The facility provides a bilateral loss-sharing scheme between FMO and its financial institution clients for unlocking lending to specific target groups (migrant-, women- and young-entrepreneurs) that are perceived by the financial institutions as being high-risk. With a high level roundtable meeting set for 2020 in Lusaka, it is expected that FMO will provide clear understanding on how this facility will benefit the financial service providers in Zambia especially that BoZ has granted FMO Zero percentage risk weighting for exposures carried by Zambian Banks under the Nasira Risk Sharing.

### Green and Sustainable Finance

As part of its capacity building for its staff, FMO facilitated for me to attend capacity building programmes.

- I attended the Singapore Fintech Festival (SFF), as well as the Executive Leadership Programme at the Isead School of the World, Singapore Campus. Green and sustainable finance was the main theme at the 2019 Singapore FinTech Festival the biggest FinTech event in the world providing a global platform for the FinTech community to connect, collaborate and co-create with over 60,000.
- The key outcomes of the festival include the

Monitory Authority of Singapore (Central Bank) announcing the successful development of a blockchain-based prototype that enables currencies to be carried out in different currencies on the same network. The programme was developed in collaboration with JP Morgan and Temasek, the prototype network aims to improve cost efficiencies for businesses. Further MAS announced US\$2 billion in green funds to drive climate action (SDG 13) with US\$100 million to be given to the Bank for International Settlement (BIS) Green Bond to support its global green finance initiatives with its members (central Banks).

- I also attended a conference on harnessing Digital financing of the SDGs where she met with Green Digital Finance Alliance (GDFA) during the launch of the status report on Dutch Fintech landscape. GDFA in partnership with the UN secretary General's task force for Digital Financing of the SDGs work to measure the state of sustainable digital Finance for UN member countries. The Alliance has conducted assessments in Germany and Netherlands is looking to collaborate with the BoZ to determine and map how fintechs are supporting the SDGs.
- I was selected to be a jury on a judging panel during the entrepreneurship competition conducted by the International Migration Organisation, PUM and Zidic circle.

*Ms Brenda Phiri is Acting Assistant Director, Financial Accounts in the Finance Department*



# Separations

By Zambanker reporter

**Eleven (11) members of staff have separated from the Bank through Voluntary Early Separation (VES), retirement, death and expiration of contract.**



Mr Kennedy Mukuma separated from the Bank through early retirement on 4<sup>th</sup> October, 2019 after working for slightly over 28 years. He was a Security Officer – Operations at the time of his separation. He joined the Bank on 7<sup>th</sup> June, 1991.



Mr Mutumba Mulope separated from the Bank through early retirement on 21<sup>st</sup> October, 2019 after working for 16 years. He was a Service Management Administrator in the Information and Communication Technology Department at the time of his separation. He joined the Bank on 1<sup>st</sup> September, 2003.



Finance Department lost one employee in the name of Mr Cyprian Mumba. Mr Mumba separated from the Bank through early retirement on 23<sup>rd</sup> October, 2019 after working for over 30 years. He was an Accounts Assistant - Trade Payments at the time of his separation. He joined the Bank on 17<sup>th</sup> April, 1989.



Mr Patrick Luvota also separated from the Bank through early retirement on 25<sup>th</sup> October, 2019 after working for over 28 years. He was an Employee Relations Officer in the Human Resources Department at the time of his separation. He joined the Bank on 9<sup>th</sup> September, 1991.



Mr Fidelis Chamunda resigned from the Bank on 31<sup>st</sup> October, 2019 after working for 18 years. He was a Principal Examiner – Team 1 in the Bank Supervision Department at the time

of his resignation. He joined the Bank on 3<sup>rd</sup> September, 2001.

Mr Noah Tembo separated from the Bank through early retirement on 19<sup>th</sup> November, 2019 after working for slightly over 16 years. He was Manager – Maintenance and Office Services in the Procurement and Maintenance Services Department at the time of his separation. He joined the Bank on 1<sup>st</sup> August, 2003.



Dr Tukiya Kankasa-Mabula separated from the Bank following the expiration of her contract on 15<sup>th</sup> December, 2019 after working for 21 years. She was Deputy Governor – Administration at the time of her separation. She joined the Bank on 2<sup>nd</sup> November, 1998.



Mr Maulu Hamunjele separated from the Bank through Voluntary Early Separation (VES) on 22<sup>nd</sup> December, 2019 after working for 22 years. He was Assistant Director – Staff Credit Union in Economics Department at the time of his separation. He joined the Bank on 15<sup>th</sup> December, 1997.



Mr James Mbewe separated from the Bank through early retirement on 28<sup>th</sup> December, 2019 after working for 30 years.

He was Manager – Service Management in the Information and Communication Technology Department at the time of his separation. He joined the Bank on 1<sup>st</sup> November, 1989.



Mr Evans Mukonka separated from the

Bank through Voluntary Early Separation (VES) on 31<sup>st</sup> December, 2019 after working for close to 28 years. He was Assistant Director – Financial Accounting in Finance Department at the time of his separation. He joined the Bank on 3<sup>rd</sup> January, 1992.



## Obituary



By Zambanker reporter

The Bank of Zambia lost one member of staff in the fourth quarter of 2019. Mr Douglas Kalamatila died on 6<sup>th</sup> November, 2019 after an illness. He was an Assistant Director – Domestic Market Operations in the Financial Markets Department at the time of his demise. He joined the Bank on 20<sup>th</sup> March, 1995.

*May His Soul Rest in Eternal Peace*

## New Faces

By Zambanker Reporter

The Bank of Zambia has recruited three members of staff in the fourth quarter of 2019.

Departments that benefited from the recruitment are Procurement and Maintenance services (PMS) and Regional Office.

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## New Faces

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On 7<sup>th</sup> October, 2019, Mrs Bridget Mulenga Kaluba joined the Procurement and Maintenance Services team as an Assistant Manager – Insurance Services. She holds a Master of Arts degree in Economics from the Information and Communications University, a Bachelor of Science degree in Economics and Finance from the University of Lusaka and a Diploma in Insurance Studies from the Zambia Insurance Business College. Mrs Kaluba also holds a Diploma in Crop Science from the Natural Resources Development College. She worked for ZSIC – General Insurance Company Ltd as Manager – Fire, Accident and Engineering Department. Mrs Kaluba had also worked for Dunavant Cotton Zambia as an area Manager in Chipata. She is a member of the Insurance Institute of Zambia



Those who joined the Regional Office are Ms Ravaina Jambo and Mr Happy John Chileshe.

Ms Jambo joined the Regional Office team on 20<sup>th</sup> November, 2019 as a cleaner at the Guest House. She holds a Diploma in Hospitality Management and an Advanced Certificate in Hospitality Management from the Hotel and Tourism Training Institute Trust. Ms Jambo worked for Latitude 15 as a housekeeper, Lumandwe Resources Limited as a cook, Innscor Zambia as a chef and Lusaka Hotel as a receptionist, among other places.



Mr Happy Chileshe joined the Regional Office team on 2<sup>nd</sup> December, 2019 as a Records Officer. He holds a Bachelor of Arts degree in Library and Information Service from the University of Zambia. He also has a Diploma in Library and Information Service from Evelyn Hone College. Mr Chileshe worked for Zambia Revenue Authority as a Revenue Clerk before joining the Bank. He is a member of the Library and Information Association of Zambia.



## Are money circulation schemes a consequence of digitalisation?

From Page 27

through digital platforms, thus, internet enabled mobile phones make it more convenient for people to opt in and out without being subjected to any form of paper work or approval process.

### What is the challenge for regulation?

Money circulation schemes operate on digital platforms that may have no physical boarders and intermediaries. This presents a challenge for regulation because regulation thrives on the concept of intermediaries and physical boarders. The challenge for regulation is how to create a regulatory paradigm for this feature of platforms. The absence of the regulatory paradigm also presents a challenge for investigation and possible prosecution of those who conduct and participate in money circulation schemes.

### What are the key takeaways?

- (i) There has been an increase in the number of suspected money circulation schemes being reported to the BoZ by members of

the public.

- (ii) Most of the suspected money circulation schemes are thriving on digital platforms for recruitment of members, contributions and payouts. The use of digital platforms that have no intermediaries and extend beyond boarders presents a challenge for regulation and consequently prosecution of those who conduct and participate in money circulation schemes.
- (iii) Digital platforms place some level of transparency and control in people's hands. The use of digital platforms by those who conduct money circulation schemes makes them easily trusted and acceptable.
- (iv) There are economic and social factors that drive people to embrace money circulation schemes which should be considered when developing financial education messages to members of the public by both the regulator and the financial service providers.

*The author is a Senior Analyst in the Non-Bank Financial Institutions Supervision*

## Climate Change – a Risk to Financial Stability

From Page 23

reputational risk.

This shift also implies integrating climate risk into financial risk management frameworks with active engagement at all levels of the institution.

At board level, there must be a clear understanding of financial risks from climate change and ability to address and oversee these risks within the institution's overall business strategy and risk appetite.

Financial service providers must use scenario analysis to explore the resilience and vulnerabilities of an institution's business model to a range of outcomes. As always in risk management, what is important is to explore and be prepared for the full range of possible outcomes for businesses and portfolios.

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4. Jo Paisley, Co-President, and Maxine Nelson, Senior Vice President, Climate Risk Management at Financial Firms Challenges and Opportunities.

*Richard Chirwa is Senior Inspector, Financial Analysis in the Non-Bank Financial Institutions Supervision Department*

## Diversity Insight – Managing Generations in a Work Place

From Page 33

terms of responsibilities and interests they may have outside the workplace. But don't make assumptions. It's important to remember that employees, regardless of generation, share both commonalities and differences.

As the workplace becomes more diverse, not only in terms of generation but also other attributes, it's important to take time to understand and provide opportunity for interaction with and between various groups.

The more we are able to understand each other, the better we are able to work together and achieve organisational success. By understanding the strengths, limitations, and values of each generation, managers and leaders can minimise generational collisions.

In doing so, managers and leaders will avoid the organisational conflict, employee turnover, and lost productivity that occurs when business professionals are unaware of the differences of the four generations in the workplace.

# “Black Tax” – the other side of the coin

*“Mayo mpapa naine nkakupapa”*

By Jean Couvaras and Nkatya Kabwe

This is a common Bemba proverb that teaches both the mother and father to take good care of their children so that when they (the mother and father) reach old age, their children can in return take care of them as they did.

Being African is beautiful because our culture and heritage is so rich with 'ubuntu', which is the general feeling of being part of the larger family, community or society, and being each other's keeper. For many, this also entails that once you start earning a living, you somehow take on the responsibility of contributing to the livelihood of that larger family.

Such is the life of an African child. The expectations of taking care of not only aged parents, but the extended family as well, is learnt from childhood. It is well understood that as soon as a child has a source of income, that income should be shared with the family in order to help others who are less privileged in the family. This responsibility is taught from early on, and children are not expected to depart from it, regardless of the impact this responsibility may have on their own plans.

## Defining “black tax” ...

If the above experience feels familiar, welcome to the world of “black tax” – the extra money that black professionals are expected to give every month to support their less fortunate family and extended families.

This simply means that every month, you take money out of your salary to help out not only your grandparents, parents and younger siblings, but also step in for planned as well as abrupt requests from extended family members.

We can all agree that the ability to help out a close loved one or family member leaves us beaming with pride. Beyond being an obligation, it also feels like the right thing to do.

However, there is another side of the coin to this responsibility that often goes unspoken, if not ignored. “Black tax” is expensive - it puts a strain on our finances and sometimes we are unable to take care

of ourselves first.

Think back to that time you had to give your landlord an excuse when rent was due because you stepped in to help with your siblings' school fees the previous week? Or the time you had nothing in the fridge because you gallantly rescued an aunt who had a hospital emergency? How about the time you had no fuel in the car because you just used your last cash in injury week to provide an uncle with transport money to return to the village after a visit you didn't initiate?

***“Black tax” is expensive - it puts a strain on our finances and sometimes we are unable to take care of ourselves first.***

## ...and its impact on personal wealth creation

Zambia's Seventh National Development Plan showed that 40.8 percent of the population was extremely poor while 13.6 percent was moderately poor. Poverty has remained persistently high at 76.6 percent in rural areas, compared to 23.4 percent in urban areas. One of the obvious consequences of living in a country where the majority of the people are poor and unemployed is the social burden this introduces to the few who are in gainful employment.

Financial experts say the above puts one's responsibilities in a “sandwich” and hence this is often called the sandwich

generation. The sandwich generation supports the generation above them, as well as the generation below. This makes it difficult for the sandwich generation to save, which will in turn pass this tax down to future generations.

For instance, a university graduate may delay furthering their education or even investing in their first home, because the income they receive is firstly meant for resolving family issues before considering their personal plans. These responsibilities



include monthly allowances for aged parents, paying school fees for younger siblings, purchasing farm inputs for extended family in the village. This is usually in addition to the expectation to house dependents in one's home as soon as one is in gainful employment or has been married.

This has clear consequences on their personal wealth, as they are unable to plan and save for the future, or worse, forced to live outside their means by accumulating high debt in a bid to balance family obligations and meet their personal needs.

## Here's how you can beat the cycle

Black tax should not be a burden. Helping your family is something to be proud of, but you need to manage it well to ensure your financial success and theirs too. Here's a

few pointers to get you started on a new path.

**1. Have a budget and stick to it**

When you receive your salary, set aside a set amount that is specifically for requests that would need you to step in. Once that amount is exhausted for the month do not dip into your finances again that month so as to meet an unexpected request.

**2. Set boundaries**

Set boundaries with your family to say, for example, unless it is unexpected expenses with school, you will not be giving out any extra money.

**3. Communicate**

There are a lot of unspoken expectations when it comes to family and money. Having candid conversations about your finances can help your family know what it is you can and can't do for them.

**4. Don't live outside your means**

Financial experts say when someone ends up indebted, it's not because of the family. In many instances they don't themselves understand the limit of their finances. Learn to say no, especially if you cannot afford it. It is a very bad idea to go into debt to help family members. If you cannot afford to help say so and stick to your guns.

**5. Seek long-term solutions**

"Give a person a fish and you feed them for a day; teach a person to fish and you feed them for a lifetime". Perhaps, it's time to work towards a more sustainable long-term solution to helping out your family members. Explore various options such as providing capital for a business idea or opening a cash business that can provide your folks with the upkeep cash needed to meet the basics every month.

**6. Prioritise yourself and Save**

Prioritizing oneself is not selfish, it is the right thing to do, not just for yourself, but for the other people who depend on you. Prioritize your personal development as well as your goals and ensure you save not just for your future, but for emergencies as well.

**Let's do this smarter**

It may be a bit late for the generation before us, but it is time to think of ways of breaking the vicious cycle of black tax.

This is not to say we should not help, but we need to help in such a way that the helping does not lead to our own poverty, or lead to resentment. Let's be smart in our helping!

*Jean C. Kamanga is Senior Legal Counsel in the Legal Services Department while Kantya Kabwe is Manager Strategic Communications in the Board Services Department.*

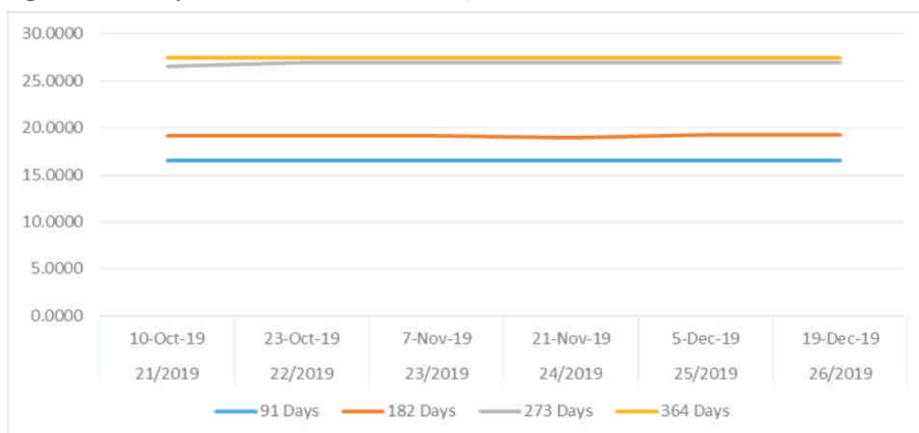
## Government Securities Operations for 4<sup>th</sup> Quarter 2019

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**Figure 1: Treasury bill Auction Results, Q4 2019**

	Last Q3 auction	Q4 Tbill Results per auction					
	20/2019	21/2019	22/2019	23/2019	24/2019	25/2019	26/2019
	26-Sep-19	10-Oct-19	23-Oct-19	7-Nov-19	21-Nov-19	5-Dec-19	19-Dec-19
91 Days	16.5002	16.5002	16.5002	16.5002	16.5002	16.5002	16.5002
182 Days	19.0000	19.1499	19.1499	19.1499	19.0000	19.2500	19.2500
273 Days	26.5001	26.5001	26.9999	26.9999	26.9999	26.9999	26.9999
364 Days	27.5001	27.5001	27.5001	27.5001	27.5001	27.5001	27.5001
<b>Weighted Average Yield Rate (WAYR)</b>	<b>25.4603</b>	<b>26.2624</b>	<b>27.1277</b>	<b>26.1591</b>	<b>24.7138</b>	<b>26.6685</b>	<b>23.4284</b>

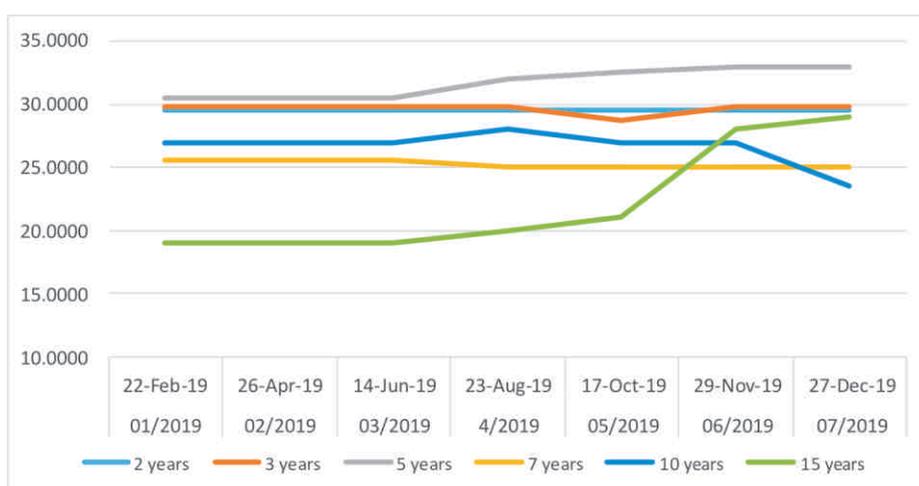
**Figure 2: Treasury bill Yield Rate Movements, Q4 2019**



**Figure 3: Government bond Auction Results 2019**

	Government bond Auction Results 2019						
	01/2019	02/2019	03/2019	4/2019	05/2019	06/2019	07/2019
	22-Feb-19	26-Apr-19	14-Jun-19	23-Aug-19	17-Oct-19	29-Nov-19	27-Dec-19
2 years	29.5000	29.5000	29.5000	29.5000	29.5000	29.5000	29.5000
3 years	29.7500	29.7500	29.7500	29.7500	28.7500	29.7500	29.7500
5 years	30.5000	30.5000	30.5000	32.0000	32.5000	33.0000	33.0000
7 years	25.5780	25.5780	25.5780	25.0000	25.0000	25.0000	25.0000
10 years	27.0000	27.0000	27.0000	28.0000	27.0000	27.0000	23.5000
15 years	19.0000	19.0000	19.0000	20.0000	21.0000	28.0000	29.0000
<b>Weighted Average Yield Rate</b>	<b>25.1238</b>	<b>25.1238</b>	<b>25.1238</b>	<b>30.9393</b>	<b>30.8376</b>	<b>31.5065</b>	<b>31.0204</b>

**2019 Government bond Yield Rate Movements**





# MOBILE PAYMENTS - MONEY AT YOUR FINGER TIPS!!!

## BENEFITS OF MOBILE MONEY

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

## SAFETY TIPS

- Do not share your PIN with anyone, keep it secret. For money transfers, communicate your PIN to recipients discretely without others becoming aware.
- Block the view of others when entering your PIN
- Do not send or reverse a money transfer as a result of requests made by unknown callers
- Do not provide confidential details about your mobile wallet

**"Mobile Payments - Safe, Quick & Easy"**

