IFC MOBILE MONEY SCOPING
COUNTRY REPORT: ZAMBIA

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(with assistance from Alana Fook and Rita Armelle Oulai)
OVERALL READINESS RANKING

Bank of Zambia introduced the National Payment Systems Directives on Electronic Money Issuance, 2015

CURRENT MOBILE MONEY SOLUTION

Currently 4 mobile money solutions offered; 2 MNO offerings, 1 Bank offering, and 1 offered by a 3rd party processor.

POPULATION

15.5 million

MOBILE PENETRATION

11.3 million mobile subscribers (70% of penetration)

BANKED POPULATION

31% through financial institutions, 36% overall, 12% through mobile accounts [Source: World Bank FINDEX]

PERCENT UNDER POVERTY LINE

60.5% (2010) [Source: CIA]

ECONOMICALLY ACTIVE POPULATION

Labour force: 6.9 million (2015) [Source: CIA]

ADULT LITERACY

63.4% (2015) [Source: CIA]

MOBILE NETWORK OPERATORS

MTN 44% market share
Airtel 40% market share
Zamtel 16% market share
Vodafone <1% market share
Macro-economic Overview

Regulations
Financial Sector
Telecom Sector
Other Sectors
Mobile Financial Services Landscape
### Key Country Statistics

- Population: 15.5 million (2016) [Source: CIA]
- Age distribution: 46% (0-14 years), 20% (15-24 years), 29% (25-54 years), 3% (55-64 years), 2% (over 65 years) [Source: CIA]
- Median age: 16.7 [Source: CIA]
- GDP (PPP): $62.7 billion (2015) [Source: CIA]
- GDP per Capita (PPP): $3,900 (2015) [Source: CIA]
- Urban/Rural split: 40.9% of population lives in urban areas (2015) [Source: CIA]
- Population below poverty line: 60.5% (2010) [Source: CIA]
- Literacy Rate (age 15 and over can read and write): 63.4% total, 70.9% male and 56% female (2015) [Source: World Bank FINDEX]
- Mobile Penetration: 70% (2016) [Source: ZICTA]
- Internet penetration: 36% (2016) [Source: ZICTA]

### Insights

- Very young population, with a median age of 17 and nearly half of the population under age 15
- Relatively low literacy levels, and limited education spending (1.1% of GDP in 2008) [Source: CIA]
- Mobile money came to Zambia relatively early, but initial efforts were unsuccessful and may have slowed adoption in the long run; CelPay, launched in 2002, lost its license and went out of business by 2013 due to mismanagement, fraud and left behind rumors of having lost customer funds in the process.¹
- Zambia ratified the Maya Declaration in 2011 and committed to increase financial inclusion rate from 37.3% to 50% by 2016 and ensure access to affordable financial services in all districts.²
- Still, the market potential for Zambia is high given low levels of financial inclusion, high levels of mobile penetration, a young population, and promising urban/rural split.
- The establishment of a national switch (NFS), expected to be operational in 2017, can contribute to interoperability for FIs and DFS providers.

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¹ [Digital Financial Services in Zambia](http://www.undc.org) (UNCDF, 2014) and Bank of Zambia revokes Celpay's license (Itweb, January 9, 2014)
² [Joint Press Release](http://www.afi.org) by Bank of Zambia and Alliance for Financial Inclusion (AFI), September 2011
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REGULATORY BODIES INVOLVED IN MOBILE BANKING

**Bank of Zambia (BoZ)**
- BoZ is also responsible for “regulating, overseeing and maintaining an efficient and safe payment system in Zambia”, as well as licensing, regulation and supervision of banks and Financial Institutions (FIs), including approval and supervision of mobile money services.¹

**Zambia Information and Communications Technology Authority (ZICTA)**
- BoZ first adopted a “watch-and-learn” approach to DFS, but recently introduced National Payment Systems Directives on Electronic Money Issuance, 2015, which covers licensing procedures, minimum capital, use of agents, consumer protection, and KYC requirements, among others.¹
- In 2014, the BoZ and ZICTA signed an MoU to facilitate the growth of mobile money services in Zambia. The MoU specifically covers regulation and supervision, but was also expected to improve coordination between the two entities.⁴
- ZICTA and the Zambia Police Service have conducted inspections on mobile service providers, distributors, dealers and agents to crack down on the sale of pre-registered SIM cards.³
- Further, ZICTA has published guidance further explaining SI Number 65 of 2011, and clarifying the obligations of service providers, sellers and buyers of SIM cards regarding registration of SIM cards.³

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² Acceptable forms of ID include passport, national registration card
³ ZICTA Website, accessed October 7, 2016.
⁴ Bank of Zambia, ZICTA sign MoU on Mobile Money (Itweb Africa, November 27, 2014)
Requirements to be an E-Money Institution

- Banks are required to submit product proposal, risk management framework, and service level agreements [Part II, Article 5]
- Requirements for other types of entities are outlined in Part II, Article 6
- Entities not regulated under the Banking and Financial Services Act are required to establish and register a new body corporate for the provision of e-money [Part V, Article 26 (2)]
- Non-Bank EMIs are prohibited from offering or granting credit [Part V, Article 26 (1) (c)]

Non-Bank EMIs required to maintain a holding account at a commercial bank (balance at least equal to the total electronic value in the system, should be available to meet customers’ withdrawal demands, shall not co-mingle customer funds with funds for operational or other purposes), on which it may earn interest, but use of interest must be approved by BoZ [Part III, Article 17-20]

Market open to all
- no requirement for non-bank EMIs to partner with a bank
- But, non-banks must set up a separate company that can be regulated by BoZ
- EMIs are ultimately responsible for managing the mobile money platform, including risk management, AML/CFT, consumer protection and reporting to BoZ
- EMIs are required to use technical standards and specifications that provide for interoperability [Part VII, Article 36 (1)]

EMIs must keep detailed records of customer account balances and these records must be reconciled electronically on a daily basis with the commercial bank where the account is held and any deficiencies be settled the next business day.

REGULATORY FRAMEWORK, SLIDE 3

Agents and Distributors

- E-money Institutions may use agents and distributors [Part II, Article 21]
  - An “agent” is defined as a person or entity appointed by an E-Money Institution to provide certain e-money related services in its behalf.¹
  - Distributor defined as a person acting on behalf of an EMI and engaged by the EMI to distribute and redeem e-money

KYC/AML

- EMIs must maintain customer information for 10 years [Part VII, Article 31 (1)]
- EMIs and their agents and distributors are required to comply with AML/CFT laws in Zambia and ensure all employees are adequately trained [Part VII, Article 38 (2)]
- BoZ shall prescribe transaction and balance limits for different types of accounts (individual, business, or agent), but they are not defined in E-money guidelines

Current Regulations

Implications

- Agreements with agents must be submitted for BoZ approval and must not be exclusive
- Few other requirements for agents, such as being a registered entity, holding an account at a commercial bank, etc.
- Specific transaction types to be performed by agents and distributors are not outlined in detail
- EMIs are required to train agents and distributors to administer consumer protection requirements

- No specific KYC/CDD requirements delineating the number and type of identification required to satisfy KYC/CDD laws, which is important to clarify given that 94% have ID, but a much smaller share would be able to provide proof of ID and residence (16%).²

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FINANCIAL INCLUSION – ACCESS AND USAGE

Access
- Penetration of financial access points (per 100,000 adults):¹
  - commercial bank branches: 4.9
  - ATMs: 9.6
- There are 5,000 POSs nationally⁴
- The vast majority of adults have ID (94%), but a much smaller share would be able to provide proof of ID and residence (16%).*²

Ownership/Usage
- Financial exclusion - proportion of adults not using any formal or informal services - declined from 62.7% (2009) to 40.7% (2016).*¹
- 70.3% of urban adult are financial included, compared to just 50.1% of rural adults.*¹
- Rates of ownership among Zambian adults (age 15+):³
  - Account: 35.6%
  - Mobile account: 12.1%
  - FI account: 31.3%
- Debit cards (18.6%) are more common than credit cards (1.9%); both are rarely used³
- A very small share of adults use mobile phones to pay bills (2.4%), receive (3.5%) and send (3.0%) money.³
- Of those who saved in the last year (32%), only half of them used financial institutions³

Key Insights
- Rural-urban divide is vast, particularly in terms of financial services
- Most financially excluded adults are from low-income households (76.5%), have irregular incomes and reside in rural areas (76%).¹

¹ Finscope Zambia 2015 (Financial Sector Development Plan (FSDP), 2015).
⁴ Data as at 2016. Source: IFC Meetings.
# FINANCIAL SYSTEM OVERVIEW

## BANKS
- There are 19 Commercial Banks licensed by the Bank of Zambia (BoZ)\(^1\)
- There are at least 561 commercial bank branches across the country \(^2\)
- The financial sector is dominated by foreign banks, mostly South African, most of which have not pursued the mass market. The top 3 banks in terms of market share are Stanbic, Barclays and Standard Chartered with respectively about 14% market share.
- Some smaller local banks have emerged in the market, of which a few have recently begun to introduce alternative delivery channels, such as Zambia National Commercial Bank (Zanaco) and Investrust with respectively 13.7% and 3.3% market share.

## BUILDING SOCIETIES
- There are a total of 4 building societies supervised by the BoZ
  - Meanwood Financial Services Limited
  - Finance Building Society
  - Pan African Building Society
  - Zambia National Building Society

## ForEx BUREAU
- Foreign exchange services are available at 73 locations across Zambia

## MICROFINANCE INSTITUTIONS (MFIs)
- There are 34 Microfinance Institutions (MFIs) in Zambia, payroll based consumer lenders and conventional microfinance. The largest ones are:
  - FINCA
  - EFC PULSE (11 locations)
  - Micro Bankers Trust
  - Vision Fund

## LEASING COMPANIES
- There are 8 leasing companies licensed by the BoZ:
  - Leasing Finance Company Limited
  - Alios Finance Zambia Limited
  - Focus Financial Services Limited
  - Business Partners International Zambia SME Fund Limited
  - JUMO Zambia Limited
  - Zambian Home Loans Limited
  - Greenbelt Finance Zambia Limited
  - Tsusho Capital Zambia Limited

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  - Zambia National Building Society

## OTHER FINANCIAL INSTITUTIONS
- National Savings and Credit Bank
- Credit Reference Bureau Africa Limited
- Development Bank of Zambia

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\(^1\) List of commercial banks and branches, registered non-bank FIs (BoZ, NBFIs) accessed October 12, 2016
\(^2\) Zambia Country Strategy 2015-2019 (Mobile Money For the Poor, UNCDF)
FINANCIAL SYSTEM OVERVIEW – ADDITIONAL PLAYERS

SWITCHING, CLEARING & SETTLEMENT

- **Zambia Electronic Clearing House Limited (ZECHL)**
  - Introduced in 2001 to automate cheque processing and clearing.
  - As of 2015, there were 774,057 check imaging transactions, at a value of ZMW 9,789,011,926.²

- **The Electronic Funds Transfer (EFT) system**
  - EFT facilitates both credit transfers (typically, government and corporate entities paying salaries, G2B and B2B payments) and direct debits (typically, customers paying bills like utilities, loan/interest payments, insurance premiums, savings plans etc). Credit transactions account for 89% of volume and 96% of value of total EFT transactions, while debits account for 11% of volume and 4% of value.² There are currently 13 participating entities.

- **The Zambian RTGS (The Zambian Interbank Payment and Settlement System (ZIPPS))**
  - BOZ is the System and Technical Operator of ZIPPS and, as such, has the legal responsibility for controlling, managing and operating ZIPPS. According to the [2015 ZIPPS Operating Rules](#), only commercial banks licensed by BOZ and BOZ itself can be direct participants in ZIPPS. An upgrade to the second generation RTGS system in September 2014 facilitates Straight-Through-Processing (STP).
  - Unlike the typical RTGS, ZIPPS can process high value, time critical payments, as well as lower value payments. As of September 2015, the volume of transactions transferred through ZIPPS was 97,646, with a value of ZMW 217,270,241,638 million.²

- **BoZ and Ministry of Finance are collaborating to develop a Treasury Single Account (TSA) System**, which will integrate the Government’s Integrated Financial Management Information System (IFMIS) with ZIPPS. In addition, ZIPPS is also integrated with the Central Securities Depository (CSD), the Zambia Revenue Authority (ZRA), and the Zambia Electronic Clearing House Ltd (Sabryn Clearing System) to allow straight through processing of net settlements for both Cheque Image Clearing and Electronic Funds Transfer (EFT) payments.

- **BoZ policy on fees is not aimed at cost recovery, but rather to encourage use of the system, so fees range from K10 to K20 per instruction, based on the time the instruction is sent.**

- **BoZ is currently working on the establishment of a national financial switch (NFS).**
  - As co-funders of the NFS, 19 Banks in Zambia (all members of the Bankers Association of Zambia) have contributed a total of nearly USD 2 million towards establishment of the NFS, which is expected to be operational by June 2017.³
  - The NFS is expected to improve efficiency, and lower costs of transactions and infrastructure since ATMs and POSs of participating banks will be accessible to all customers.

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FINANCIAL SYSTEM OVERVIEW – ADDITIONAL PLAYERS

SWITCHING, CLEARING & SETTLEMENT

- As a member of the Southern African Development Community (SADC), Zambia is also a participant in the SADC Integrated Regional Electronic Settlement System (SIRESS)
  - SIRESS functions like an RTGS for the SADC region and, as such, allows individuals and companies to send transfers (including of large value) to recipients who bank with SIRESS participant banks within the SADC region in real time.¹
  - There are currently 9 SADC countries participating in SIRESS.¹
  - In Zambia, current participating banks include: BankABC, Bank of Zambia, Barclays Bank, Cavmont Bank, Ecobank, Finance Bank, First National Bank, Stanbic Bank, Standard Chartered Bank, Zanaco.¹
  - SIRESS first went live in July 2014 for Common Monetary Area (CMA) countries only (South Africa, Namibia, Lesotho and Swaziland) as proof of concept.
  - Following successful implementation within the CMA, central banks and commercial banks of non-CMA countries in the SADC region were invited to join; Zambia joined in September 2014.²
  - All transactions through SIRESS are settled in South African Rand (ZAR).¹

¹ SADC Banking Association website, accessed October 12, 2016.
² Bank of Zambia website, accessed October 12, 2016.
FINANCIAL SYSTEM OVERVIEW – ADDITIONAL PLAYERS

The Lusaka Securities Exchange Plc. (LuSE)
- Established in 1993, with the support of the World Bank and IFC, and opened for business on February 21st, 1994.
- Anchored in the Privatization Act No. 21 of 1992, the establishment of the LuSE was a pivotal achievement in the reform of the private sector.
- The Securities and Exchange Commission (SEC) was established by Securities Act, Chapter 354 of the Laws of Zambia, an amendment of the Securities Act (1972) to regulate the securities industry in Zambia.
- There are 22 companies listed on the LuSE, including 3 Banks and 1 MNO (Airtel Networks Plc).
- The LuSE has a Central Share Depository (CSD) System (introduced in 1996), trading is fully automated and facilitates bilateral trade netting, and settlement takes place on a rolling T-3 settlement basis.
- Market cap was K58,425,634,424 in October 2016.
- For more information, visit [http://www.luse.co.zm/](http://www.luse.co.zm/)

CREDIT BUREAUS
- Headquartered in Nairobi, Kenya, CRBAfrica has offices in 8 countries across, including Zambia.
  - CRBAfrica services major banks, credit card companies, FIs, multilateral companies, and commercial entities across Africa, providing them with a proactive solution to credit risk management.
  - They specialize in introduction of credit references and reporting in emerging economies through the establishment of a network of credit bureaus in the Sub-Saharan Africa region.
  - For more information, visit [http://www.crbafrica.com/crb/index.asp](http://www.crbafrica.com/crb/index.asp)
- Credit Rating Agency Limited (CRA) is a Zambian company, incorporated in 2011 and was licensed by the Securities and Exchange Commission (SEC) in 2014 to provide credit rating and related advisory services to institutions, under License Number DL/14/51.
  - CRA provides independent and objective ratings to private sector and public sector entities. These range from large financial institutions and Public Listed Companies (PLCs) to Small and Medium-sized Enterprises (SMEs).
  - CRA also rates debt instruments issued by entities such as bonds and commercial paper.
  - CRA plans to open offices in a number of other African countries, as it believes rating services have the potential to boost confidence and spur economic growth in Africa.
  - For more information, visit [http://www.creditratingagency.net/index-1.html#top](http://www.creditratingagency.net/index-1.html#top)

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NON COLLATERAL BASED MICRO LENDING

JUMO
- JUMO is licensed by the Bank of Zambia as a non-deposit taking financial institution
- JUMO is a platform that provides transaction and predictive technology for Mobile Network Operators and Banks
- Provides loans to consumers and small businesses without any savings or collateral being required
- JUMO has partnered with MTN to provide MTN Mobile Money customers with access to lending products made available through their mobile phones - any time night or day.

GET BUCKS ZAMBIA- MYBUCKS GROUP
- MyBucks is a FinTech company based in Luxembourg that delivers seamless financial services through technology to the low and middle-income customer segment, predominantly in high growth emerging markets.
- MyBucks has been operating since 2011 and is present in 9 African and 2 European countries
- Through its brands GetBucks, GetBanked and GetSure the company offers unsecured consumer loans, banking solutions as well as insurance products to customers.
- In Zambia, the company only offers the GetBucks service: customers receive short-term single payment loans and instalment loans as well as additional value added services such as a credit report and a budgeting tool.
- Each client is given a personalized rate for contracted loans. 80% is the highest possible APR which may apply and all payment are collected via Direct Debit Order or Payroll deduction.
- Get bucks is present in South Africa, Botswana, Spain, Poland, Kenya, Malawi, Zimbabwe and Swaziland
- The company's proprietary credit decisioning and scoring technology as well as self-learning algorithms allow them to distribute product portfolio through online channels (web and mobile) as well as internet service points.
## BANKING SECTOR

**ZANACO**
- Total assets: 7,945,772
- Total liabilities: 6,905,488
- Branches: 64
- ATMs: 193
- POSs: 2044
- Agents: 600
- Major shareholder is Rabobank (46%). No other companies related to ZANACO, listed on the Lusaka Stock Exchange (LSE).
- Government of Zambia holds a 25% interest

**Investrust**
- Total assets: 1,380,618
- Total liabilities: 1,354,732
- Branches: 27
- ATMs: 173
- Agents: 480
- Listed on LSE (4,665,224 shares issued).
- Meanwood Venture Capital Limited (25%), ZCCM Investment Holdings Plc (10.60%), Lupande Family Trust Limited (10.60%), Others (53.80%)

**Finance Bank Zambia**
- Total assets: 2,997,324
- Total liabilities: 2,256,393
- Branches: 64
- ATMs: 111
- Agents: 600
- 100% owned by Atlas Mara, London-listed financial services group focused entirely on sub-Saharan Africa

**First Alliance Bank**
- Total assets: 693,354
- Total liabilities: 549,399
- Branches: 6
- ATMs: 67
- POSs: 2
- Agents: 600
- Sanmukh Patel: 24%
- Mahendra Patel, Suresh Gupta and Daxa Patel: 25% each
- Nitesh Patel: 1%

**Cavmont Bank**
- Total assets: 832,745
- Total liabilities: 713,365
- Branches: 20
- ATMs: 35
- POSs: 6
- Agents: 600
- Cavmont Capital Holdings Zambia, Capricorn Investment Holdings, FMO, National Pension Scheme & White Barry Howards have 84.8%, remaining is shared among 308 shareholders.

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4. Data as of December 2015. Source: First Alliance Bank Financial Statement

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Note: A selection of banks. Full list of banks operating in Zambia available on BoZ website.
Established in 1996, Investrust Bank Plc is a public company whose stock is publicly traded on the Lusaka Stock Exchange. As of 2015, the total staff force amounted to 514 persons.

The bank reported a loss after tax of USD 5.3 million in 2015, and is expected to break even by end of June 2016.

Investrust has 27 branches across the country, introduced off-site ATMs in 2011 to expand its footprint at a lower cost and started agent banking operations in 2014.

The bank’s strategy for alternative delivery channel can be summarized as below:

1. **Targeting specific niche**
   - Investrust offers dedicated banking services to niche markets such as civil servants, students, SMEs and farmers.

2. **Leveraging on technology**
   - In 2012, the company launched Invest Mobile and enhanced the USSD mode in 2014. The mobile banking service is also accessible via a mobile app. All retail clients are automatically registered but usage rates are low.
   - Invest Mobile clients can use their phones to do card-less ATM withdrawals.
   - Invest Net is an internet banking solution launched in 2010.

3. **Agency banking approach**
   - Agents transact through an in-built Invest Mobile App, which is integrated to the core banking system.
   - Agents provide cash deposits & withdrawals, account opening, bill payments and cash transfers.
BANK SNAPSHOT: ZANACO

- The largest commercial bank in Zambia, Zanaco is a domestic bank with mixed ownership, primarily owned by Rabobank (46%) following a privatization in 2007.

- With a client base of 980,000 customers supported by over 1200 employees and a loan portfolio of USD 490 million in 2014, Zanaco position itself as the bank for un-bankable people in Zambia, targeting women, small entrepreneurs and small holder farmers.

- A wide distribution network: 64 branches/agencies, 193 ATMs and 600 Zanaco Xpress agents.

- The bank’s mobile-based products aim to deliver banking services to under served clients, as opposed to being an additional customer service.

- With this vision, they signed an MoU with Financial Sector Deepening (FSD) Zambia in October 2015 with the goal to increase financial inclusion especially through social cash transfers, agent banking, market data/customer information and banking services targeting SME, women and farmers.

- In 2008, Zanaco launched Zambia’s first mobile banking service, Xapit.

- In 2011, they launched Zanaco Express with Zampost (agent banking services), but the short collaboration ended in 2013.

- The company has a particular interest in the agriculture sector and signed partnerships with the Zambia National Farmers Union (Lima credit scheme) and Airtel Money.

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Focus on Xapit

Xapit is a mobile-enabled entry-level account:

- No monthly maintenance fee
- Opening fee of just USD 3
- Basic KYC required
- Visa debit card offered
- 5 free deposits per month
- Provides money transfer, bill payment, online shopping and airtime top up.
FBZ is a national financial institution offering a mobile banking/ e-wallet solution called QLess allowing customer to perform basic transactions, pay utility bills (Zesco Electricity, Water, DSTV), airtime and transfer money.

FBZ provides a mobile banking service bundle called Makumbi Banking solutions with enhanced features such as Mobile Banking Apps, Internet Services, Mobile operated Merchant POS and dedicated SME Business Services.

In December 2014, FBZ in conjunction with the Zambia Revenue Authority has become the first bank in Zambia to launch e-payments of domestic taxes through a Web portal and Automated Teller Machines.

Cavmont bank was established in 2004 and successfully reached.

Cavmont has partnered with Airtel Money to launch B2W transactions and pilot is expected to start in November 2016. They also provide internet banking services.

In collaboration with the Zambia Revenues Authority, Cavmont provides a web-based tax payment solution to its customers.

The bank’s ATM provider is ATM Solutions Zambia, a subsidiary of Paycorp.

1 Source: IFC Meetings (October 2016).
RURAL CUSTOMERS ARE UNDERSERVED

Financial access points are still largely focused in the more densely populated urban hubs: 60% of all commercial bank branches are located in the provinces of Lusaka and Copperbelt while 60% of the population lives in rural area. Rural provinces such as Muchinga and Luapula are critically underserved. One main reasons for banks’ low involvement in rural areas is the high cost of opening brick-and-mortar branches, which is estimated at $350,000 by local banks (BFA 2010). In order to increase financial inclusion, Zambia financial services providers should leverage on alternative delivery channels and strategic partnerships to extend their footprint.

LACK OF NATIONAL SWITCH

This represents a considerable constraint for national stakeholders. There is no national payment switch yet, as of Q3 2016, despite the fact that each bank in the country has placed an investment for the development of the infrastructure and past promises of the BoZ to install it 2 years ago. The Real Time Gross Settlement System (RTGS) and the Direct Debit and Credit Clearing System (DDACC) are providing some services to address the needs of the market such as inter-bank cheque clearing and large value inter-bank settlement.

KYC REQUIREMENT CONSTITUTE A BARRIER TO BANKING SECTOR EXPANSION

Banks tend to be overly conservative with identification and verification requirements for account opening. While BoZ is flexible in term of identification requirements (National Registration Card- NRC- or valid Passport or Driver’s Licence) and verification, most banks require several documents to open any type of account and apply verification of some information such as address, regardless of the client risk profile. FinScope 2015 reveals that 1.7% adult cite the lack of proper identification as a barrier to banking services uptake. The FSDP is addressing this issue by enhancing the existing NRC to include address verification, ATM, payment and e-cash functions. This project is still at early stage with a proposal submitted to the Ministry of Home Affairs in mid 2014.
## MICROFINANCE SECTOR

### FINCA Zambia
- FINCA International, Inc is the majority shareholder.
- Total assets: 171,692
- Total liabilities: 140,412
- Client base: 91,636
- Locations: 15
- Avg loan size: $557

### Entrepreneurs Financial Centre
- Desjardins (29%), Bamboo Finance & AfricInvest (24.74% each), Triple Jump (17.44%), Pulse Financial Services Coop (3.18%), Employees (0.83%)
- Total assets: 145,405
- Total liabilities: 117,090
- Client base: 24,000
- Locations: 11
- Avg loan size: $6,107
- Loans to MSMEs: 61.4%
- Loans to agriculture: 10%

### Vision Fund
- Subsidiary of VisionFund International, a global microfinance institution operating in Africa, Asia, Latin America and Middle East/Eastern Europe.
- Total assets: $1,367,333
- Client base: 32,354
- Locations: 15
- Average loan size: $298
- Loans to women: 70%

### Agora Microfinance Zambia
- Concern Worldwide, Moringaway Limited and Agora Microfinance NV are shareholders in AMZ
- Total assets: 9,124,703
- Total liabilities: 6,057,894
- Client base: 10,000
- Locations: 4
- Average loan size: $139
- NPLs ratio: 0.47%
- Loans to SMEs: 2%
- Loans to agriculture: 28%

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2. Data as of December 30 2014 and June 30, 2016. Source: [EFC Zambia financial statement 2016](#)
4. Data as of December 31, 2015. Source: [AMZ financial report](#)
5. Source: IFC Meetings (October 2016).
FINCA Zambia is a subsidiary of FINCA International, a global micro-finance network with operations worldwide.

FINCA started operations in Zambia in 2001. Since then, FINCA has grown to become the biggest enterprise-lending Microfinance Institution in the country.

The company has a staff force of 450 employees and 15 branches.

In June 2015, it rolled out Agency Banking - Finca Express - as part of its efforts to enhance delivery channels. As of October 2016, they have a total of 50 agents in the Lusaka region.

In recognition of using biometric point-of-sale (POS) devices to reach the unbanked in the country, FINCA Zambia was awarded the Governor’s Award for Innovation during the Financial Literacy Governor’s Award ceremony, held in July 2016.

Currently, FINCA agents and the use of PoS machines account for 70% of transactions in FINCA Zambia.¹

¹ Source: IFC Meetings (October 2016).
SLOW AND UNSTEADY SECTOR GROWTH
This has been attributed to the poor credit culture amongst clients, lack of donor support, and the high expense of service provision in a country with inadequate transport and communication structure. MFIs’ operational costs are often not aligned with the low volume of activities and so many of the development MFIs are loss-making even though they appear expensive by international standards (MFI interest rates can be as high as 64%).

AVAILABILITY OF SECTOR DATA
Only 13 MFIs report to the MIX Market as of 2016, and the data provided is not always the most recent or relevant to widely accepted industry reporting initiatives. Very few local MFIs have participated in financial or social performance ratings. Despite the existence of the National Association of MicroFinance Institutions of Zambia (20 affiliated local MFIs) and the Zambia Association of Commercial Lending Institutions there is no easily accessible, updated and consolidated data about its members.

CAPITAL RAISING
There is a lack of access to foreign capital and donor funding for financial institutions to finance their loans. This has hampered the ability for MFIs to scale up and invest in their own development. As a result of this, Zambian MFIs have poor management information systems (MIS), hindered further by a lack of technical capacity within the institutions.
ATM NETWORK, CARDS AND POS – KEY STATISTICS

ATM Network, BoZ Payment Systems Statistics

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Q1 2015</th>
<th>Q3 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of ATMs</td>
<td>924</td>
<td>976</td>
</tr>
<tr>
<td>No of Cards</td>
<td>2,275,655</td>
<td>2,679,485</td>
</tr>
<tr>
<td>Volume</td>
<td>11,148,147</td>
<td>12,624,110</td>
</tr>
<tr>
<td>Values</td>
<td>7,769,819,764</td>
<td>8,260,721,861</td>
</tr>
</tbody>
</table>

POS Transactions, BoZ Payment Systems Statistics

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Q1 2015</th>
<th>Q3 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of POS</td>
<td>3,899</td>
<td>5,375</td>
</tr>
<tr>
<td>Volume</td>
<td>948,236</td>
<td>839,473</td>
</tr>
<tr>
<td>Values</td>
<td>517,807,055</td>
<td>509,698,182</td>
</tr>
</tbody>
</table>

POS by Province, Q1 2015

- LUSAKA: 62%
- SOUTHERN: 11%
- C/BELT: 15%
- EASTERN: 4%
- WESTERN: 1%
- NORTHERN: 1%
- MUCHINGA: 0%

ATM by Province, Q1 2015

- LUSAKA: 43%
- SOUTHERN: 8%
- C/BELT: 25%
- EASTERN: 5%
- WESTERN: 2%
- MUCHINGA: 2%
- NORTHERN: 2%
- LUAPULA: 2%
- N/WESTERN: 5%
- CENTRAL: 6%

LUSAKA: 62%
SOUTHERN: 11%
MUCHINGA: 0%
ATM Solutions Zambia - Independent ATM providers

- Subsidiary of Paycorp Group, leading payment solutions providers based in South Africa and operating since 1999 and present in 12 countries.
- ATM Solutions deploys and operates over 5,000 ATMs across southern Africa in a wide range of industries and locations, including underdeveloped markets.
- Rely on wireless and solar technology to install ATMs even in remote locations and has one of the largest third-party transaction switches in Africa.
- In Zambia they started operations in 2013 and serve banks such as Cavmont and Stanbic.

BroadPay Zambia Limited - Independent ATM providers

- Broadpay specializes in electronic payments and uses the WalletOne payment system from Russia.
- WalletOne manages over 10 million transactions on 300,000 terminals installed in over 17 countries.
- BroadPay is pioneering the introduction of a quality and convenient bill payment method in Zambia by use of Bill Payment ATM Kiosks.
- The company has begun establishing ATM-like terminals in urban commercial centers such as shopping malls.
- It provides airtime, insurance and services payments as well as 24/7 advertising.
- They were granted designations by the BoZ as a PSP in 2015.
PAYMENT SERVICE PROVIDERS – POS and Others

Vending Technologies Zambia Limited- PoS
- The electronic payment company provides PoS devices and self services kiosk for airtime, and bill payments.
- VTZ has a web-based interface for e-commerce called Pay Way, offers 24/7 advertising and also external API for third party.
- They started operations in Zambia in 2012 and obtained BoZ license as PSP in 2015.

Bayo Trading Zambia, IML Group- PoS
- Subsidiary of the international field marketing agency IML Group, BTZ started operations in 2014
- The company deploys electronic Point of Sale equipment in the retail trade, for airtime top up and utility bill payment
- The technology is provided by the South Africa based company Globetom.

Cgrate- VAS
- cGrate Zambia is a subsidiary of cGrate International, a company that is actively involved in the value-added service market in Southern Africa.
- cGrate International focuses on the high volume distribution and sale of e-tokens of value (airtime, electricity, water and other utility payments) and provides complementary mobile banking services.
- cGrate International has its main head-office in South Africa and has operations in Zambia (since 2012) and Zimbabwe.

Cellulant- Aggregator
- Cellulant Ltd. builds and operates mobile commerce networks. The company offers mobile banking, merchant payments, Web payments, digital content, and agency banking services. It serves governments, businesses, banks, merchants, and MNOs in Africa.
- The company was founded in 2004 and is based in Kenya.
- It provides services to more than 32 banks in Africa and has strategic partnership with financial groups such as Barclays for which it developed an aggregator platform to facilitate ATM, internet banking and mobile banking transactions with third parties.
- They obtained BoZ authorization as a PSP in 2015.
PAYMENT SERVICE PROVIDERS – POS and Others

Kazang- PoS and e-commerce
- Kazang, a subsidiary of Paycorp, is a leading micro-payment processing services with 300 million payments processed in South Africa only. It also operates in Zambia, Botswana, Namibia, Kenya, Zimbabwe, Mozambique and Ghana.
- Flexible way to sell prepaid services (airtime, utility bills) and accept micro payments, Kazang also provides money transfers, stock ordering and payment with large multi-national companies, as well as third-party integration.
- The company offers a web-based payment solution (airtime, bills). Customers can top up their accounts via Kazang’s local bank accounts (Zanaco, Investrust…)
- Kazang sells point-of-sale (POS) devices to small mom-and-pop retailers who can use it to sell airtime or allow customers to pay basic utility bills.
- Kazang services are typically provided as an extension of an existing business, rather than a standalone revenue source.

Tutuka- Prepaid Card System
- Implement and manage over 400 prepaid card programmes globally.
- Affiliated to the Paycorp network and present in South Africa, Botswana, Zimbabwe, Zambia, Thailand, the Philippines and Cambodia.
- Provide branded gift cards, mobile companion cards, and Visa and MasterCard prepaid cards.
- Main clients include: banks, retailers, telecommunication companies.

Paybill- e-commerce
- Paybill is a payment service website which allows customers in Zambia to pay their utility bills, TV bills and buy airtime with their VISA or MasterCard.
- This initiative is from a partnership between Cellulant Zambia Limited and Barclays Bank announced in May 2016.
GOVERNMENT PAYMENTS – IN AND OUT

- Bank of Zambia (BoZ) and the Zambian Ministry of Finance (MoF) are collaborating to launch the Treasury Single Account (TSA) System;
  - A TSA is a unified structure of government bank accounts that gives a consolidated view of government cash resources. The government will process all its receipts and payments through the TSA.
  - It is designed to improve the Zambian Government’s ability to effectively and efficiently manage public financial resources by refining current payment processes and eliminating redundant procedures, and thereby capitalize on the recent improvements in banking infrastructure across the country.
  - When fully implemented, all Ministries, Provinces & other Spending Agencies (MPSAs) that are on IFMIS will automatically be linked to the ZIPSS and required to process financial transactions using the Integrated Financial Management Information System (IFMIS) to facilitate Straight-Through Processing (STP) of payments and release of funding from treasury accounts at the Bank of Zambia.

- On 5th January, 2015, the first phase of the TSA was implemented by integrating the Government’s Integrated Financial Management Information System (IFMIS) to ZIPSS – the Zambian RTGS – which is already integrated with the Zambia Revenue Authority (ZRA), the Zambia Electronic Clearing House Ltd (Sabryn Clearing System).
  - Zambian Revenue Authority (ZRA) rolled out the TaxOnline Project in 2013, and as of November 1, 2016 discontinued the use of the RTGS for large and medium tax payers in favour of e-payment systems. Taxpayers may choose any of the 13 participating banks to pay their taxes electronically.

- Some of the key benefits are expected to include;
  - Improved monitoring and control of public revenues and expenditures;
  - A significant reduction in short-term borrowing activities coupled with a reduction in the cost of financing Government operations; and
  - Efficient transmission of authorized payments from MPSA’s to the Bank of Zambia for settlement via the Real Time Grossing System (RTGS).

- Automation is expected to affect several phases of payments, including release of funding from treasury accounts at Bank of Zambia, expenditure approvals between Ministries, Provinces and other Spending Agencies on one hand and Treasury and Bank of Zambia on the other; and bank reconciliations.

1 Source: Bank of Zambia website, accessed October 12, 2016.  
2 Republic of Zambia Ministry of Finance website, accessed on October 12, 2016.  
3 Zambia Revenue Authority Public Notice
Zambian migrants – approximately 178,101 – live primarily in other African countries, including South Africa (36%), Malawi (23%), Zimbabwe (15%) and Botswana (7%). Another 19% live in UK.¹

Similarly, immigrants in Zambia come mostly from other African countries, such as Angola (54%), DRC (28%), Rwanda (7%), Zimbabwe (6%) and Malawi (5%).¹

Zambia is a net sender of remittances; outflows ($81 million) were approximately 40% larger than inflows ($58 million), which accounted 0.2% of GDP in 2015.²

The average total cost of sending $200 to Zambia is roughly 15% of the amount sent; that’s double the Global Average (7.60%) and 50% higher than the average for the whole Sub-Saharan Africa region (9.58%).³

1 Data as at 2013. Source: Migration Profiles (United Nations, DESA-Population Division and UNICEF).
Macro-economic Overview
Regulations
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Telecom Sector

Other Sectors
Mobile Financial Services Landscape
TELECOMMUNICATIONS SECTOR IN ZAMBIA

Key Statistics

- 4 MNOs operating in the market\(^1\)
- Mobile connections: 12.1 million (97% prepaid)\(^1\)
- Unique mobile subscribers: 8.5 million\(^1\)
- 70% mobile penetration\(^2\)
- Market coverage (Percentage of population)
  - 3G: 40%
  - 4G: 30%
- Very concentrated market, with 2 largest players having >80% of the market\(^1\)
- Mobile internet penetration (36% in Q1 2016) is 10 times larger than in 2010\(^2\)

Internet and Data\(^2\)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
<th>Q1 2015</th>
<th>Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Internet Users</td>
<td>380,000(^2a)</td>
<td>2.3 million</td>
<td>3.7 million</td>
<td>4.3 million</td>
<td>5.7 million</td>
</tr>
<tr>
<td>Penetration Rate</td>
<td>3%</td>
<td>16%</td>
<td>24%</td>
<td>28%</td>
<td>36%</td>
</tr>
<tr>
<td>Fixed Internet Subscriptions</td>
<td>10,000</td>
<td>16,000</td>
<td>29,000</td>
<td>33,000</td>
<td>35,960</td>
</tr>
<tr>
<td>Penetration Rate</td>
<td>.08%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Mobile and Fixed Telephony\(^2\)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2010</th>
<th>2012</th>
<th>2014</th>
<th>Q1 2015</th>
<th>Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Subscriptions</td>
<td>5.4 million</td>
<td>10.5 million</td>
<td>10.1 million</td>
<td>10.8 million</td>
<td>11.3 million</td>
</tr>
<tr>
<td>Penetration Rate</td>
<td>40%</td>
<td>78%</td>
<td>67%</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>Fixed Line Subscriptions</td>
<td>118,000</td>
<td>83,000</td>
<td>114,000</td>
<td>114,000</td>
<td>115,423</td>
</tr>
<tr>
<td>Penetration Rate</td>
<td>0.9%</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

\(^1\) Data as at Q4 2015. Source: GSMA Intelligence.
\(^2\) Data as at date indicated. Source: ZICTA ICT Statistics Portal.
\(^2a\) Data as at 2011, as 2010 data is not available.
The ICT sector in Zambia is regulated by the Zambia Information and Communications Technology Authority (ZICTA), whose mission is to “effectively provide regulatory services to the ICT sector in order to enhance Universal Access to ICT services.”

In this regard, ZICTA is mandated to i) Regulate the provision of electronic communication services and products, ii) Monitor the performance of the sector, iii) Administer the Country Code Top Level Domain (ccTLD) as well as electronic addresses, iv) Disseminate information and promote the participation by the public in the provision of electronic communication services, v) Provide for a national frequency and numbering plan, vi) Set standards for the ICT sector, vii) Promote competition in the sector and also regulate tariffs charged by operators offering electronic communication services, viii) Protect the rights and interests of consumers, service providers, suppliers and manufacturers.

The entities regulated by ZICTA are:

- Internet Service Providers (ISPs)
- Postal & Courier Service Providers
- Mobile Network Operators
- Electronic & Communications Equipment Dealers

1 Source: ZICTA website, accessed October 6, 2016.
POINTS OF INTEREST IN THE MOBILE MARKET

- Mobile technology is crucial in overcoming the affordability barrier, given the country’s low per capita income -> broadband prices in Zambia are $50 lower per month than for fixed broadband.¹

- Africa Mobile Network (AMN) – a company that has developed a solution to help MNOs extend coverage to remote communities in Africa, which finances, builds and operates solar-powered mobile base stations in remote and unconnected communities with populations of 4,000 or more – plans to extend their operations to 12 new countries, including Zambia.¹

- Taxes, as a proportion of total cost of mobile ownership (TCMO) in Zambia, are 26%, putting Zambia among the highest in the world and significantly higher than the regional average of 20%.²

- As of late 2016, efforts by ZICTA and the 3 MNOs (Airtel, MTN and Zamtel) to cut off unregistered SIM cards were still underway. October 31, 2016 has been set as the deadline for all subscribers to register and/or verify their subscription or risk permanent disconnection.³

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¹ The Mobile Economy Sub-Saharan Africa 2015 (GSMA, 2015)
² Data as at 2014. Source: Digital Inclusion and Mobile Sector Taxation (GSMA, 2015)
³ Unregistered SIM cards to be cut off (Daily Mail, October 4, 2016)
## MOBILE NETWORK OPERATORS

### MTN Zambia
- **5.7 million connections**
- **44% market share**
- **3G cov 40%**
- **4G cov 30%**

**Ownership:**
Ikulileni Inv Plc planned to sell their 11.9% stake in MTN Zambia, Munyati Buffalo Zambia planned to increase but the sale did not go through and is halted indefinitely

- **Plans to lay 6,000km in fibre to improve network connectivity**
- **Expected to partner with Ecocash to facilitate remittances between Zambia, Zimbabwe (MTN) and South Africa**

### Airtel Zambia
- **5.1 million connections**
- **40% market share**
- **3G cov 40%**

**Ownership:**
Bharti Airtel Zambia Holdings BV (BAZHBV) has 96.4% of the shares and the remaining 3.6% are owned by public investors through the Lusaka Stock Exchange (LuSE)

- **Signed an MoU with the British High Commission in Zambia regarding “Connecting Classrooms” Project**
- **Chief Commercial Officer is former CEO of MTN Zambia**
- **Partnered w/Facebook on Internet.org**

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1 Unless otherwise indicated, data as at Q3 2016. Source: GSMA Intelligence.  
1a MTN Zambia website.  
1b MTN Zambia investor plans share sale valuing it at $97 million (Bloomberg, April 29, 2015)  
1c MTN Zambia reinforces network (IT Web Africa, July 28, 2016)  
1d MTN Zambia’s listing plans fall through 2a Bharti Airtel Zambia Annual Report 2015 (IT Web Africa, June 28, 2016)  
2a Bharti Airtel Zambia Annual Report 2015  
3 Source: IFC Meetings (October 2016).
MOBILE NETWORK OPERATORS

Zamtel

- 2.1 million connections
- 16% market share
- 3G cov 40%
- 4G cov 30%

Ownership: Zambia Telecommunications Company Limited is 100% owned by Government of Zambia, after the partial privatization (Lap Green Libya purchased 75% in 2010) was reversed in 2012

- Management and operation of the company was recently transferred to Industrial Development Corporation (IDC), but is still loss-making
- Sale of Zamtel is a condition of a $1.2 billion economic lifeline from IMF

• Zambia Telecommunications Company Limited was established in 1994 after the split of Post and Telecommunications Corporation (PTC) into two separate entities, Zamtel and Zampost. Zamtel's mandate was to concentrate on telecommunication business. It was the first mobile cellular licensed company in the country.
• Zamtel position itself as an affordable telecom service, especially targeting youth, and putting an emphasis on proximity.
• The Zamtel mobile money service, branded “Zamkwatcha”, is currently in soft launch

Source

31,645 connections
<1% market share

Ownership: Mobile Broadband Zambia Limited, trading as Vodafone Zambia represents an extension of the Vodafone partnership with Afrimax

• As of June 2016, Vodafone was only licensed for internet/data and not voice

Source

Unless otherwise indicated, data as at Q3 2016. Source: GSMA Intelligence.
3a IMF demands sale of Zamtel (IT Web Africa, September 28, 2016).
4a Vodafone extends partner agreement with Afrimax to Zambia (Vodafone.com, June 6, 2016).
4b Vodafone in Zambia will not provide any voice services (Lusaka Times, June 8, 2016).
5 Source: IFC Meetings (October 2016).
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ZAMBIA GDP

GDP and GDP Per Capita

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (PPP, current US$)</td>
<td>$47,944,251,957</td>
<td>$52,524,896,689</td>
<td>$56,120,523,487</td>
<td>$59,908,709,211</td>
<td>$62,458,409,612</td>
</tr>
<tr>
<td>GDP growth (annual %)</td>
<td>5.6%</td>
<td>7.6%</td>
<td>5.1%</td>
<td>5.0%</td>
<td>3.2%</td>
</tr>
<tr>
<td>GDP per capita (PPP, current US$)</td>
<td>$3,343</td>
<td>$3,552</td>
<td>$3,681</td>
<td>$3,811</td>
<td>$3,853</td>
</tr>
<tr>
<td>GDP per capita growth (annual %)</td>
<td>2.5%</td>
<td>4.3%</td>
<td>2.0%</td>
<td>1.8%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Zambia GDP by Sector (2015)

- Zambia had one of the world’s fastest growing economies for the past ten years, but growth slowed in 2015 due to falling copper prices, reduced power generation, and depreciation of the kwacha.
- Zambia was overtaken by the Democratic Republic of Congo as Africa’s largest copper producer, but lack of economic diversification and dependency on copper makes it vulnerable to fluctuations in commodities market and prices turned downward in 2015 due to declining demand from China.
- Key industries include: copper mining and processing, emerald mining, construction, foodstuffs, beverages, chemicals, textiles, fertilizer, horticulture.
- Agricultural products include: corn, sorghum, rice, peanuts, sunflower seeds, vegetables, flowers, tobacco, cotton, sugarcane, cassava (manioc, tapioca), coffee; cattle, goats, pigs, poultry, milk, eggs, hides.

2 Data as at 2015. Source: CIA World Fact Book
VALUE CHAIN DIGITIZATION OPPORTUNITIES

NWK Agri-Services

- Established in 2000, NWK Agri-Services is the largest cotton buyer in Zambia, with about 120,000 affiliated farmers as of 2015.
- The company has experienced serious issues linked to cash transportation and has been trying to digitize its payments to farmers.
- They tried ATM cards in 2012 but this was limited by the low density of banks’ distribution network (ATM) in rural areas.
- In 2015, NWK started a pilot with 20,000 farmers paying them via MTN Mobile Money but this had mixed success.
- Although the pilot had achieved mitigated results in terms of farmers’ adoption, network coverage, and liquidity availability, it did decrease NWK’s operating costs and security concerns.

Cargill Inc.

- Cargill is an international producer and marketer of food, agricultural, financial and industrial products and services.
- Cargill has activities in cotton growing and ginning as well as grain and oilseed cultivating and trading in Zambia.
- Cargill also provides inputs such as seed, fertilizer and pesticides on credit to cotton, grain and oilseed farmers.
- They are collaborating with about 70,000 farmers.
- Cargill Zambia has a ginning capacity of around 60,000 mt per season and is the second largest ginnery in the country after NWK Agri Services.
- In 2014, Cargill conducted a pilot with Barclays to pay farmers for their cotton and maize crops using mobile phone technology.

1 Source: IFC Meetings (October 2016).
VALUE CHAIN DIGITIZATION OPPORTUNITIES

Zambia National Farmers Union (ZNFU)
- ZNFU is a national membership based organization, with countrywide coverage, representing the agriculture industry. ZNFU represents small and large scale farmers; and agribusinesses.
- The association has several projects with an ICT component to improve farmers’ lives:
  - SMS based information service about commodity price: Farmers who have produce for sale can find out the best price they are likely to get for their produce in their district and beyond, they also have access to potential buyers contact details.
  - The ZNFU Visa Card Platform facilitating the Lima Credit Scheme and the Farmer Input Support Program (FISP)
  - E-Voucher pilot launched in October 2015: Over 218,000 farmers are accessing inputs using visa cards over point of sale terminals.
  - eTransport system: a web-based interactive information system which allows transport users to publicize availability of loads or cargo to a known destination and at preferred times of delivery to transporters.
- In January 2016, ZNFU submitted a detailed memorandum to the parliament on the “Role of Information and Communication Technology (ICT) in National Development” suggesting innovative and cost-efficient ways to transact with farmers.

Zambeef Products
- Zambeef Products – one of Zambia’s most successful agro-industrial companies. It is Listed on the Lusaka Stock Exchange and London’s Alternative Investment Market (AIM). It employs 5,500 people and grows 17,000 hectares of crops, predominantly wheat, maize and soya. It also produces edible oils, bread and dairy products.
- They have about 100 retail and whole sale points and partnered with Shoprite to run 22 butcheries.
- The company actively promotes the procurement of locally produced raw materials.
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Mobile Financial Services Landscape
MOBILE MONEY IN ZAMBIA - OVERVIEW

- Zambia was the earliest adopter of digital financial services (DFS) in Africa.
- Providers engaged in DFS in Zambia include:
  - MNOs – Airtel and MTN
  - Banks – Ecobank, FNB, Investrust, Zanaco
  - Others offering e-wallet and PoS solutions – Bayo, cGrate, Kazang, Zoono, Cellulant, Zazang, Broadpay, Vending Technologies Zambia
- All E-money is denominated in Zambian Kwacha, unless otherwise authorized by the BoZ [Part VII, Article 37].
- According to the BoZ, mobile money providers processed 16,958,746 transactions, valued at ZMK 670,876,627 in Q3 2015; a 44% increase in value and 18% increase in volumes compared to Q1 2015.
- Providers’ current products range is fairly limited (money transfer, bill and airtime payment), with some innovation happening around value chain payments or micro-loans offering

<table>
<thead>
<tr>
<th>Key Statistics¹</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Accounts (% active)</td>
<td>4.6 million (7%)</td>
</tr>
<tr>
<td>Registered Agent Outlets (% active)</td>
<td>13,354 20%</td>
</tr>
<tr>
<td>Registered Agent Outlets (per 100,000 adults) (% active)</td>
<td>158 20%</td>
</tr>
<tr>
<td>Registered Agent Outlets (per 1,000 km²) (% active)</td>
<td>18 20%</td>
</tr>
</tbody>
</table>

¹ Data as at 2014. Source: IMF Financial Access Survey (FAS)
² Zambia Annual Monitor (FSD Zambia, 2015). While Zamtel has obtained a license for mobile money, it not yet operational. Zamtel has warned its customers to be wary fraud associated with the not yet operational Zamtel Money.
MOBILE MONEY IN ZAMBIA – MAJOR DEVELOPMENTS

- In May 2015, Vodafone M-Pesa and MTN Mobile Money announced an agreement to make their services interoperable, which will enable M-Pesa customers in Kenya, Tanzania and DRC to transfer money to and from MTN Money customers in Uganda, Rwanda and Zambia.¹

- Also in 2015, the BoZ allowed interest earning on e-money issuers’ trust account and required them to use this additional revenue for customer education or other related topics.²

- Most banks offer mobile banking, which by definition targets only the banked population and excludes the rural and poor population. Zanaco is the only exception -- it is the largest commercial bank in Zambia and the only one whose mobile product aims to deliver services to underserved clients.³

¹ The Mobile Economy Sub-Saharan Africa 2015 (GSMA, 2015)
³ Zoona: A Case Study on Third Party Innovation in Digital Finance (FSD Zambia, August 2015)
MOBILE MONEY IN ZAMBIA – AGENT DISTRIBUTION

- In 2015 the number of active mobile money agents per 100,000 adults increased to 37 per 100,000 adults (3,225 total).¹
- Zoona has the largest share of agent market presence at 33%, followed by MTN (27%) and Airtel (27%), Zanaco (9%) and Investrust (4%).²
- Based on a 2015 survey of Zambian MFS agents: a typical MFS agent in Zambia:²
  - Is located in urban areas, either Lusaka (36%) or non-Lusaka urban areas (27%) and only 37% located in rural areas
  - Has been operating for 1 year or less (80%), is exclusive to just one MFS provider (91%), but non-dedicated (51%)
  - Is an operator, rather than an owner (75%) and thus dependent on the owner's float management system
  - Primarily provides money transfer services (the median is 15 transactions per day, vs 10 per day for cash in and cash out)
  - Rebalances at bank branches (64%), as opposed to the MFS provider’s office (15%) or another agent (12%)
  - Receives training from their MFS provider (92%), but less likely to receive regular support visits (66%) and promotional materials (26%)
  - Over half of agents (55%) do not travel at all to rebalance, suggesting that owners take responsibility to manage e-float and cash at the outlet
  - Experiences system downtime at least once a week (70%) and often does not have prior notice (only 21% of agents do)

MOBILE MONEY IN ZAMBIA – AGENT DISTRIBUTION

- Some of the key considerations for the MFS agent network in Zambia:¹
  - Not all the agents who are qualified to open accounts do so – only 2/3 of qualified agents and only 47% overall – citing lack of product awareness among customers as a major hurdle
  - Median number of transactions per day is lower in Zambia (28) than comparable markets like Kenya (45) and Tanzania (31)
  - Agents in Zambia have lower earnings and are less profitable than those in other countries, which likely constraints MFS providers’ ability to expand agent network;
    - Median total monthly earnings for agents in Zambia is US$180, compared to US$340 for Uganda and US$315 for Tanzania.
    - Of those earnings, the profit that agents get to keep is lower in Zambia (US$105) than in other countries, such as Tanzania (US$238), Uganda (US$195) and Pakistan (US$193).

² Source: IFC Meetings (October 2016).
MOBILE FINANCIAL SERVICES IN ZAMBIA – CHALLENGES

- Liquidity management, including insufficient funds for float, is a huge challenge which has compromised the uptake of mobile money in Zambia and needs to be addressed\(^1\)
  - Some MFS providers have responded by rationalizing their agent network to focus on top performers located nearer to branches, but that has the unintended consequence of reducing agent penetration in rural areas
  - Other providers are focusing instead on franchising booths in major retailers and petrol station forecourts, where the retailer is responsible for managing their own liquidity
  - Yet another approach focuses on tapping into small balance savings
- Lack of clarity and consistency on KYC/CDD requirements\(^1\)
  - There are no clear guidelines delineating the number and type of identification required to satisfy KYC/CDD laws
  - Several providers have created low-value wallets, but KYC limits are negotiated on a case by case basis and tend to vary across providers

\(^1\) Source: IFC Meetings (October 2016).
<table>
<thead>
<tr>
<th>Product Name</th>
<th>MTN Money</th>
<th>Airtel Money</th>
<th>Zoona</th>
<th>Xapit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider</td>
<td>MTN Zambia (MNO)</td>
<td>Airtel Zambia (MNO)</td>
<td>Third Party</td>
<td>Zanaco (Bank)</td>
</tr>
<tr>
<td>Number of Accounts</td>
<td>1.5 million 2a</td>
<td>4 million 2a</td>
<td>1 million active users</td>
<td>Xx million</td>
</tr>
<tr>
<td>App available</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>ZMK</td>
<td>ZMK</td>
<td>ZMK</td>
<td>ZMK</td>
</tr>
<tr>
<td>Agent Network</td>
<td>365 agent locations nationwide</td>
<td>6,834 agents, of whom 1,000 are active on 30 day basis (cannot be individuals)</td>
<td>1150 active agents on a 30 day basis</td>
<td>Zanaco Xpress</td>
</tr>
<tr>
<td>Registration Requirements</td>
<td>MTN SIM card and any valid ID for Tier 1 1a</td>
<td>MTN SIM card and any valid ID for Tier 1 2b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance/Trans Limits</td>
<td>Tier 1 K 5,000 max bal Tier 2 K15,000 max bal K3,000 max transaction K5,000 daily max</td>
<td>Customer service centers (19), Airtel agents (700)</td>
<td>At Zoona agents and via Mukuru agents</td>
<td>No account maintenance fees. Balances (min:0, max: ZMW 10,000), 5 free withdrawals/ month</td>
</tr>
<tr>
<td>Cash In/Out</td>
<td>MTN Service Centre or Agent (PIN required for deposit, PIN+ID for collection)</td>
<td>Customer service centers (19), Airtel agents (700)</td>
<td>At Zoona agents and via Mukuru agents</td>
<td>Zanaco branches or Zanaco Xpress outlets (172 cash in/out locations)</td>
</tr>
</tbody>
</table>

1 Source: MTN Money [website](#). 1a Valid ID includes. NRC, Driver’s License and Passport. Tier 2 also requires utility bill or letter from employer.
2 Source: Airtel Money [website](#). 2a [Customer is kind as Zambia’s mobile money market expands](IT Web Africa, October 5, 2015) 2b Types of ID include: National Registration Card, Valid Passport or Valid DL
3 Source: Zoona [website](#)
4 Source: ZANACO [website](#)
# QUICK OVERVIEW OF MOBILE MONEY PROVIDERS

<table>
<thead>
<tr>
<th>Service Type</th>
<th>MTN Top-Up</th>
<th>Airtel Top-Up</th>
<th>Zoona Top-Up</th>
<th>Xapit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile Top-Up</strong></td>
<td>Yes, self and others (registered MTN Money only)</td>
<td>Yes, self and others (Airtel only)</td>
<td>Yes</td>
<td>Xapit is a simple bank account with a VISA debit card and mobile banking</td>
</tr>
<tr>
<td><strong>Link with Bank account</strong></td>
<td>No, only cash in/out, but Standard Chartered Straight2Bank product allows deposit to MTN&lt;sup&gt;1a&lt;/sup&gt;</td>
<td>Yes, Bank -&gt; Wallet (Barclays customers only), Wallet -&gt; Bank (all banks)</td>
<td>Not for customers, but for agents yes, Zoona has agreements with 7 banks to deposit cash</td>
<td></td>
</tr>
<tr>
<td><strong>Access to Credit</strong></td>
<td>Yes, loans provided by JUMO</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Payroll</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>P2P Payments (Domestic)</strong></td>
<td>Yes, only to registered MTN Mobile money customers</td>
<td>Yes, Airtel, MTN and Zamtel</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Send airtime or mobile money via WorldRemit</td>
<td>Top up via WorldRemit</td>
<td>Send via Mukuru</td>
<td></td>
</tr>
<tr>
<td><strong>P2P Payments (International)</strong></td>
<td>Yes (ZESCO, Pay TV (DSTV, GOTV, MvuTV, Zuku TV), Water and Seerage (Nkana, Lusaka))</td>
<td>Yes, (ZESCO, LWSC, Nkana Water and sewerage, GOTV and DSTV)</td>
<td>Yes</td>
<td>Yes, bill payment (electricity, water and satellite TV) and online purchases via VISA card</td>
</tr>
</tbody>
</table>

<sup>1</sup> Source: MTN Money website.  
<sup>1a</sup> Standard Chartered Press Release announcing the partnership with MTN to facilitate payments into mobile wallets.  
<sup>2</sup> Source: Airtel Money website.  
<sup>3</sup> Source: Zoona website.  
<sup>4</sup> Source: ZANACO website.
MOBILE MONEY PROVIDERS – KEY POINTS OF DIFFERENCE

MTN Money
- Expected to launch a partnership with Ecobank to facilitate remittance transfers between Zambia and Zimbabwe.¹

Airtel Money
- Airtel Zambia said its mobile money has grown by approximately 300% between 2014 and 2015, adding that corporate clients are now using the platform to pay employee salaries.²

ZOONA³
- Zoona has the largest share of agents market presence at 33%, followed by MTN (27%) and Airtel (27%), Zanaco (9%) and Investrust (4%).³a Zoona has agents in 84 out of 89 districts in Zambia, making their service one of the most geographically available. They are now extending their reach by franchising booths in major retailers and petrol station forecourts, where the retailer manages their own liquidity.³b
- Recognising the importance of liquidity management, Zoona offers its agents a financing product so that agents have enough float and do not have to turn away customers.
- The average Zoona agent makes US$1,450 in monthly commissions and the median earnings are US$525 – much higher than comparable minimum wage jobs in Zambia (US$107/ month) and higher than agents in other markets such as Bangladesh (US$213), Kenya (US$117), Uganda (US$136) and Tanzania (US$126).
- Adapted money transfer service into a supplier payment service and moved into B2B payments and started working with the SABMiller distribution channel in Zambia, which had previously operated almost entirely in cash.³b
- Just signed with IFC to design a wallet. These wallets allow customers the option of performing their own transactions, or continuing to use OTC, but with a transaction history that can be used for future credit purposes. A savings service, Zoona Sunga, is currently being piloted, and this will be merged with the wallet when it is available.³c

¹ EcoCash to launch remittances partnership with MTN Zambia (TechZim, May 17, 2016)
² Customer is kind as Zambia’s mobile money market expands (IT Web Africa, October 5, 2015)
³ Zoona: A Case Study on Third Party Innovation in Digital Finance (FSD Zambia, August 2015)
³b Zoona website
³c IFC Meeting with Company Representatives (Zambia, October 2016)