

Zambia

Annual Monitor

2016

While Zambia was the earliest adopter of digital financial services (DFS) in Africa in 2002, it had lagged behind in leveraging those services to advance financial inclusion in the country for many years. Years of inertia have shifted to a period of momentum, which is reflected in an exciting 2016 for DFS. Financial service providers began to focus on the support, management and growth of agent networks. The number of sustainable financial service players increased, as did their active customers and agents. The two largest mobile network operators, Airtel and Mobile Telephone Networks (MTN), established large agent networks, as did Kazang and Zoono.¹ The variety of products also improved: Zoono launched—with the help of United Nations Capital Development Fund (UNCDF)—the ‘Sunga’ wallet (meaning ‘Keep’), while MTN introduced KONGOLA, a mobile-based credit product in partnership with JUMO. DFS uptake among Zambian adults increased significantly, suggesting that providers are getting better at developing products that meet their customers’ needs, wants and aspirations. However, there are still several barriers to advancing digital financial inclusion, including lack of meaningful awareness, liquidity challenges for agents, and lack of products that address the needs of Zambians.

The UNCDF programme Mobile Money for the Poor (MM4P) uses a **theory of change** approach to DFS development, which focuses on making **shifts** between phases of market development, moving from Inception to Start-Up to Expansion and eventually to a mature market known as Consolidation. Through each phase, MM4P takes into account the entire DFS ecosystem. This means MM4P plans activities at the levels of Policy & Regulation, Infrastructure, Providers, Distribution, High Volume and Customers to improve market conditions and facilitate shifts. Zambia is currently in the Late Start-Up/Early Expansion phase of DFS market development.



¹ Kazang and Zoono are mobile money operators that provide over-the-counter services in Zambia.

In 2015, UNCDF joined hands with Financial Sector Deepening Zambia (FSDZ) to launch the MM4P programme in Zambia. In 2016, the partnership supported market development through the following activities:

Improved product design and customer experience:

- (1) Conducted human-centred–design (HCD) with 17 Triggers and two DFS providers—Airtel Money and Zoono
- (2) Co-designed customer journey maps for Airtel Money and Zoono
- (3) Supported launch of Sunga product by Zoono

Improved agent liquidity:

- (1) Worked with DFS providers to address challenges with agent networks, focusing on liquidity management and agent training
- (2) Co-designed agent journey maps, helping Airtel and Zoono better understand challenges for their respective agents and tellers (agents' employees)

Facilitated critical research that effected change in the market:

- (1) Finalized *Helix* Institute agent network accelerator research, delivered country report to ecosystem players via a workshop and delivered tailored agent network diagnosis to top three DFS providers—Airtel Money, MTN Mobile Money and Zoono
- (2) Launched a geographic information system based map (co-funded by FSDZ) of financial, educational, agricultural and health access points, leading providers to change human and financial resource allocations after a training on the tool

Initiated public-private dialogue for policy change:

Co-facilitated first Feedback2Action Workshop with Bank of Zambia (BoZ), which brought together policymakers and private sector actors to discuss issues of mutual interest and ultimately contributed to a change in DFS wallet and transaction limits

Improved ecosystem capacity:

Catalysed applications to Digital Frontiers Institute (DFI) and co-facilitated Zambian DFI Community of Practice (Zambia has consistently had one of the largest cohorts in the world for the DFI course, and in 2017, it will support the third class for a Certificate in Digital Money)

Over the next three years, MM4P plans to continue to support and invest in the Zambian DFS market with the goal of moving the market fully into the Expansion phase and reaching the objective of at least 35% of the adult population actively using DFS (active use is defined as having used a digital wallet at least one time in the past 90 days).

In 2017, MM4P has planned the following activities:

Support Zambia to reach a product design tipping point:

Conduct workshop for DFS ecosystem players that aggregates learnings from previous HCD work to try to make HCD and iterative testing the new norm for product development among DFS providers

Introduce financial products for agents:

Commission research with FINCA on agent incomes/expenses to determine what financial products can help them sustainably improve their liquidity needs

Increase DFS market data transparency:

Launch Zambian DFS state of the industry report, summarizing aggregated data from five or more top DFS providers, and work with BoZ to design and implement a DFS data automation system

Launch government payments diagnosis

to catalyse the shift, uptake and growth of high-volume payments and to identify government payment streams with a strong business case for digitization

Digitize social cash transfers for refugees:

Support Office of the United Nations High Commissioner for Refugees (UNHCR) to digitize its cash-based interventions in Meheba Refugee Camp

Support improved public-private dialogue among regulators and providers:

Focus on a centralized e-KYC (know your customer) database as well as other issues brought up by the private sector that require joint discussion in order to facilitate dialogue that will lead to more transparently shared and developed ecosystem policies

Zambia

Facts and figures

Population^a

16.7 million



Adult population^a

9.1 million



Where we were 2014 **Where we were 2015** Where we are 2016



(90 DAYS)
TOTAL ACTIVE
DFS USERS^b

184,000

ACTIVE DFS USERS AS
PERCENTAGE OF
ADULT POPULATION^b

2%



(90 DAYS)
TOTAL ACTIVE
DFS USERS^c

333,400

ACTIVE DFS USERS AS
PERCENTAGE OF
ADULT POPULATION^c

4%



(90 DAYS)
TOTAL ACTIVE
DFS USERS^d

1,717,500

ACTIVE DFS USERS AS
PERCENTAGE OF
ADULT POPULATION^d

18%



(30 DAYS)
TOTAL ACTIVE
AGENTS^b

1,656

ACTIVE AGENTS
PER 100,000 ADULTS^b

22



(30 DAYS)
TOTAL ACTIVE
AGENTS^e

3,225

ACTIVE AGENTS
PER 100,000 ADULTS^e

37



(30 DAYS)
TOTAL ACTIVE
AGENTS^d

12,376

ACTIVE AGENTS
PER 100,000 ADULTS^d

136

MOBILE
PENETRATION
RATE^f

77%



FINANCIAL
INCLUSION
RATE^g

47% formal
60% both
formal and
informal



PROVIDERS
ENGAGED
IN DFS



MNO^h:
Airtel, MTN, Zamtel

Main banks & MFIs:
Agora Microfinance, Ecobank,
FINCA, First National Bank,
InvesTrust, Zanacoⁱ

Others:
cGrate, Kazang, Zoono

^a UN World Population Prospects, 2016

^b UNCDF-MM4P internal scoping mission, 2014

^c BoZ, 2015 (supply-side data: defined as number/share of active registered mobile money accounts [wallets]) and UN Population Statistics, 2015

^d UNCDF-MM4P, 2017

^e MIX Market Agent Mapping, 2015 and UN Population Statistics, 2015

^f ZICTA, 2015

^g FinScope, 2015

^h MNO: mobile network operator

ⁱ Zanaco: Zambia National Commercial Bank

OPPORTUNITIES



There is increased openness and demand to develop sustainable and commercially viable partnerships, including partnerships on agency banking



Providers are increasingly pursuing strategies to strengthen and expand their agent networks, including expanding the role of tellers



Ministry of Finance and several DFS providers are pursuing strategies to digitize bulk payment solutions sustainably in rural areas



HCD research by MM4P reveals hunger for informal merchant payments by customers and informal businesses



(1) There is openness from main regulators (BoZ, CCPC and ZICTA²) to engage with the private sector (2) Ministry of Finance considers DFS role in the National Financial Inclusion Strategy important



BoZ and ZECHL³ have asked for support on National Financial Switch, including its design, rules and pricing strategy



There is greater appetite by financial and non-financial sector stakeholders (e.g., pay-as-you-go solar providers) to better understand and leverage DFS in their business models

CHALLENGES

Inadequate bandwidth/staffing of providers sometimes affects their ability to effectively engage

(1) Low profitability and liquidity of agent networks continues to be a challenge (2) Agent management, recruitment and training does not often incorporate role of tellers

While bulk payments are slowly taking hold, service providers still struggle to build a business case for them in rural areas

Access to mobile phones and meaningful awareness remain barriers to DFS uptake

Uneven levels of knowledge regarding DFS within relevant regulators

National Financial Switch is being designed primarily with banks and less so with nonbanks

Competition among providers is still very strong and can detract from potential partnerships

2015 WHERE WE WERE Start-Up phase:

- Tiered wallet/transaction sizes (but uneven across providers)
- Un-harmonized regulation among relevant regulators
- Agent networks limited, insufficiently liquid and not often distributed geographically in strategic manner
- Nascent bulk payments system
- Only 53% of Zambians have heard of mobile money, three quarters of whom have NOT used it⁵

2019 WHERE WE WANT TO BE Expansion phase:

- Second generation products available with strong uptake and usage (e.g., credit, insurance and savings available)
- High-quality, well-trained and liquid agent networks
- Bulk payments conducted regularly in sustainable manner to DFS providers
- HCD (with focus on iteration in the field) used by majority of DFS providers for product development and go-to-market strategies
- Updated tiered wallet/transaction sizes and KYC approach for both DFS providers and banks
- Customer protection enabling policy created
- Harmonized regulation among relevant regulators
- National Financial Switch and interoperability in place

2016 WHERE WE ARE Early Expansion phase:



- Updated wallet/transaction sizes for DFS providers (but uneven among banks)
- Un-harmonized regulation across relevant regulators



- National Financial Switch and interoperability not yet occurring



- Top four DFS providers financially sustainable
- First-generation services available (e.g., bill payment, cash-in/cash-out, airtime)
- Some second-generation services available (e.g., mobile enabled credit)



- Expanding agent networks still insufficiently liquid and not often distributed geographically in strategic manner



- Growing bulk payments system



- HCD tested and now used by two major DFS providers

² CCPC: Competition and Consumer Protection Commission; ZICTA: Zambia Information and Communications Technology Authority

³ ZECHL: Zambia Electronic Clearing House Limited

⁴ FSDZ and MM4P, 'Consumer Behaviors in Zambia: Analysis and Findings,' February 2016. Available from http://www.intermedia.org/wp-content/uploads/2016/03/zambaiintermedia_consumerbehaviours.pdf

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