Annual Report
2018/2019
Summary

Read the full report at annualreport2019.fsdzambia.org

Funded by:
Introduction

This was another transformative year for FSD Zambia. Our efforts expanded from concentrating mainly on research, pilots and initial innovations to add more extensive national and regional impact results. Events such as the International Microinsurance Conference held in Zambia demonstrated how our impact is increasing internationally.

This year, FSD Zambia’s work continued to influence digital infrastructure, climate change protection and financial education. This includes support to the Smart Zambia Institute to digitise Weather Index Insurance pay-outs to over 1 million farmers on the Farmer Input Support Programme, expansion of the phone-based financial education initiative to include the seven main languages in Zambia and a new course on consumer protection, to enable outreach for the entire country.

Our approach

FSD Zambia’s work is based on the Making Markets Work for the Poor (M4P) method. Making markets work for the poor starts with intensive research into how markets are currently working, where the poor and underserved are situated within them, and what will determine future development opportunities for these families. Looking at the market system holistically helps us understand the current state and potential future of financial inclusion in Zambia. This deep understanding of the market enables us to correctly identify and address constraints in supply, demand, rules, and facilitation. FSD Zambia can help build relationships and trust with and among financial service providers, regulators, NGOs and customers. This ultimately results in the provision of accessible, affordable, understandable and sustainable financial services for all Zambians.

This year at a glance

People experiencing an expansion in income opportunities/reduction in vulnerability: 90,311

Kick-off of the Financial Inclusion through Traditional Leadership (FIT) project in Luapula Province

Completed regulatory technology assessment with the Bank of Zambia
Low-income Zambians/microenterprises and smallholder farmers with new access to financial services due to FSD Zambia

Agreement signed with a new grant funding partner for expanded Savings Group coverage in Eastern Province

Zambians engaging in financial education - 26,540 women

105,451

30,915
Areas of impact

Building Trust

Everything FSD Zambia does is aimed at building trust. We do this through cultivating a shared understanding of how finance can and should work and promoting financial education from a young age. We bring people together through processes and forums that reveal their common language, common interests, and common purpose — to make money work for everyone. We help bring about creative innovations that remove the barriers to trust and benefit all stakeholders. And we find ways to lower costs to a level which is fair and that everyone can afford without disrupting the market. These innovations bring value for the public sector, private sector, and customers, ultimately building trust in the market and a more financially healthy Zambia.

Cultivating understanding

In Zambia up-to-date, accurate, detailed financial sector information is scant. Studies and analysis are expensive to commission and to make widely available. Yet a deep understanding of the financial sector market is vital for financial system actors to understand the needs of unserved and underserved Zambians, make smart business decisions, and see and take advantage of new, exciting opportunities. We are experts in gathering and sharing rigorous data. Our analysis is used at the highest levels of government, in boardrooms and start-ups throughout Zambia. Above all our work is ethical, truthful and inclusive, with the interests of everyone in Zambia at its heart.

Bringing people together

With better information comes better opportunities — and we start to see how connecting different types of people from diverse backgrounds can bring about meaningful change. Sharing our very best truthful advice, we work at every level of the Zambian financial system — and listen and speak to people in ways they understand. We look to facilitate conversations to encourage collaboration, dispel misunderstandings and share market information. When we link stakeholders, they know that we are offering an opportunity to participate in a prosperous, fair and sustainable future for Zambia.

Stimulating innovation

At FSD Zambia, we help stimulate the development of inclusive, appropriate financial services. We identify opportunities to take financial service providers out of their comfort zone to create new, creative products that address the real needs of Zambians. We connect suppliers of financial products directly with potential customers, to ensure that new products are tailor-made for the Zambian market and developed rapidly. After new products are launched, we work with financial service providers to evaluate, tweak and perfect products, so they can find the optimal balance between product viability and client value. Innovative products ultimately help financial service providers to access the large under- or unserved Zambian population and Zambian customers to better manage their finances in ways that work for them.

Lowering costs

One of the biggest concerns we hear from customers is how expensive financial services are in Zambia. Whether it be money transfer fees, interest rates, ATM fees or premium prices, many Zambians have been priced out of the market. However, without high volumes, Zambian financial service providers cannot afford to provide low value services. Sharable infrastructure, innovation and digitisation are among the notable solutions. Sharable infrastructure helps with economies of scale, Innovation lowers the cost of inclusion, and digitisation makes scale possible, but only if the skills and infrastructure are there to enable it.

IMPACT HIGHLIGHT

Scale up of Financial Education through mobile phones

This year, FSD Zambia scaled up its simple, cell phone-based financial education initiative with Zazu. The programme has been expanded nationwide with a new course on consumer protection added to the initial five courses (savings, borrowing, essential money management, insurance, and mobile money). The courses have been translated into the seven main languages in Zambia, and the programme is now on SMS and voice, free on all cell phone operators nationwide. Outreach is being encouraged across the country through various channels, including community radio.

IMPACT HIGHLIGHT

Supply-Side Sex-Disaggregated Baseline Survey

FSD Zambia, by request, worked with the Bank of Zambia on a national sex-disaggregated supply-side data survey covering 64 financial institutions. The study found that women have better loan repayment behaviour than men; the percentage of non-performing loans, estimated as its total value against the full cost of all individual loans, averaged 4.3% for women compared to 4.9% for men. The study also reported that women are relatively better savers than men.

IMPACT HIGHLIGHT

International Microinsurance Conference

FSD Zambia along with the Technical Advisory Group, the Munich Re Foundation and Microinsurance Network (MiN) hosted the 14th International Microinsurance Conference (IMC). The conference attracted over 400 experts and 80 speakers from 54 countries around the world, including Zambia. Participants discussed strategies and initiatives for accelerating growth and viability of inclusive insurance for emerging markets.

IMPACT HIGHLIGHT

Digitisation of Government payments

Smart Zambia Institute (SZI), the Cabinet Office agency responsible for the digitisation of government payments and related change, requested work with FSD Zambia. This effort involved a technical assessment of payment systems to enable card payments to the government, software for Weather Index Insurance payments, and a vital Digital Readiness Assessment (DRA) by Microvace under FSD Zambia. The DRA facilitated cross-government collaboration on a range of matters at a high level and made progress on biometric ID rollouts and agreements on priorities for electronic payments. FSD Zambia’s support of this work will go a long way in making Weather Index insurance payments seamless for over 1 million farmers in the Farmer Input Support Programme.

IMPACT HIGHLIGHT

Improving Financial Capabilities for Rural Based MSMEs

Studies have shown that many rural-based businesses fail to meet goods and services demand because of working capital limitations. This year, FSD Zambia piloted the Working Capital Access project aimed at extending financial services to traders in Choma district using a blend of informal (savings groups) and formal (banking) financial mechanisms. This model works by organising traders into savings groups and enabling them access capital in the form of commodities from wholesalers through the bank. FSD Zambia facilitated an agreement between Investbank, two major wholesalers in the district, and 103 shopkeepers. Initial results from the pilot are promising as traders have reported increases in their capital, in some cases from K1, 000 to K10,000 over a six month loan cycle.

Read entire report at: annualreport2019.fsdzambia.org
Finance and governance

In the third year of operations as a Company Limited by Guarantee (CLG), FSD Zambia demonstrated its ability to make change not only nationally but regionally. We established our reputation in operations as the leading FSD in the network in three key operations areas: financial systems, human resource structuring, and gender engagement. As our governance system is also considered strong, we provide information on our transition process to a CLG to other FSDs who are undertaking this process now. The financial systems team has benefited from expansion of qualified staff in financial management and in contracting. This has enabled us to address and incorporate more timely reconciliations, put in place more effective documentation and staff approval processes, and to improve our financial spend tracking as well as computer system enhancements. Our external audit received an unqualified opinion for the third year.

### Expenditure Composition

<table>
<thead>
<tr>
<th>Rank</th>
<th>Amount</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>£693,861</td>
<td>Consultancy</td>
<td>17%</td>
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<tr>
<td>2</td>
<td>£1,073,692</td>
<td>Employee salaries and benefits expense</td>
<td>26.5%</td>
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<tr>
<td>3</td>
<td>£1,577,426</td>
<td>Partners payments and resource fees</td>
<td>39%</td>
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<tr>
<td>4</td>
<td>£41,805.63</td>
<td>Rent</td>
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<tr>
<td>5</td>
<td>£72,970.90</td>
<td>Technical training and development costs</td>
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<td>6</td>
<td>£178,145.85</td>
<td>Board and committee expenses</td>
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<td>7</td>
<td>£130,772.15</td>
<td>Local and international travel</td>
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<tr>
<td>8</td>
<td>£30,147</td>
<td>Telephone, internet, fax and postage</td>
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<tr>
<td>9</td>
<td>£53,977</td>
<td>Equipment expenses</td>
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<tr>
<td>10</td>
<td>£33,339.88</td>
<td>Printing and stationary</td>
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<td>11</td>
<td>£42,637</td>
<td>Depreciation/amortisation</td>
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<td>£92,520.52</td>
<td>Audit/accountancy</td>
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<td>13</td>
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<td>Bank charges</td>
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<td>14</td>
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<td>Legal and statutory fees</td>
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<tr>
<td>15</td>
<td>£8,279.47</td>
<td>General expenses</td>
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## Liabilities = Assets

£2,009,262

## Expenditure = Income

£4,049,110