Annual Report
2019/2020
Summary

Read the full report at http://annualreport.fsdzambia.org/
Introduction

The fourth year of FSD Zambia was one of substantial evolution. Our Board approved a new strategy that shifted us to engage more in the financial sector as a substantive tool for real sector growth to serve our target clients better. A wide range of innovations across the theme portfolios occurred, along with graduation of pilots to substantial national engagement.

This year, FSD Zambia's new work continued to influence digital infrastructure and financial education. Some of our key achievements included the digitisation and financial education for the Farmer Input Support Programme (FISP), along with the institutionalisation of Weather Index Insurance.

FSD Zambia also actively engaged in the development of the FSD 2.0 strategy across all FSDs and joined the new 9-partner FSD Network across Africa. FSD 2.0 is the new guiding vision for the FSD Network, FSD Zambia inclusive, to broaden our engagement. FSD Zambia will work towards creating real sector value through facilitating and supporting financial inclusion activities/programmes that promote and enhance three key outcomes: inclusive growth, access to basic services and sustainable futures.

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

1,085,721
Farmers covered under the weather index insurance scheme during the 2019/20 farming season.

Digital school fee payment platform launched with 42 parents from four different schools successfully accessing and using the platform. National Programme starts in 2020/21.

3,080
Savings groups supported to promote savings for education and increased outreach of financial education with a cumulative number of 53,420 (75% women) members reached.

Our focus at FSD Zambia will be on the impact that various financial services and products have in enhancing developmental agendas and eliminating poverty.
Alliance Ginneries advance cash payment for contract cotton smallholder farmers scaled up and bundled with crop insurance with 13,221 farmers (21% women) receiving advance cash payments.

Working Capital Access pilot launched in Choma and scaled up in Maamba, Chipata and Solwezi districts with over 300 village shops (60% women village shopkeepers) and over ten wholesalers engaged across the districts.

Real People Real Stories video series featuring client testimonials of FSD Zambia implemented interventions across thematic areas launched and receiving positive feedback. A total of 31 videos (70% women clients) will be rolled out starting the next FY.
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 remove the barriers to trust and benefit all stakeholders. 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

Financial Education for Smallholder Farmers

This year, FSD Zambia collaborated with Zazu and Mayfair Insurance to sensitise smallholder farmers under the Farmer Input Support Programme (FISP) about weather index insurance. The sensitisation content was developed in English and translated into the seven main local languages. TV and radio were used to reach farmers with the free learning on topics related to weather index insurance. Further outreach activities were organised at community level in conjunction with the local extension officers. This information was also made available to participating agro-dealer outlets. A total of 897,000 (44% female) accessed the course.

IMPACT HIGHLIGHT

Finance Decision Making, Gender and Social Norms Study

FSD Zambia worked with researchers from Nottingham and Leiden Universities in setting up and conducting a key gender, social norms and finance study in rural areas of Eastern Province. The study aimed to help understand the relationship between social norms and financial decision-making among Zambian men and women. Preliminary results indicate that while social norms exist, they do not necessarily inform decisions made by spouses in the allocation of tasks. The results of the study will strengthen the design of financial services, financial literacy programmes and the implementation of financial inclusion policies.

IMPACT HIGHLIGHT

Savings Groups Sector Good Practice and Capacity Building Conference

FSD Zambia supported SaveNet to convene a savings group (SG) sector conference that brought together NGOs, The Ministry of Finance, The Central Bank, Financial Service Providers, Mobile Network Operators, SG members and community trainers to discuss best practices, lessons learned and challenges and linkages in the SG sector. The conference was a unique platform to spur constructive dialogue among different financial services sector actors. It built trust and bridged the informal to formal gaps with appropriate interventions for both the formal financial sector and the SG sector. SGs are growing as a result.

IMPACT HIGHLIGHT

Improved payments for Weather Index Insurance product

FSD Zambia alongside Smart Zambia enhanced the Zambia Integrated Agriculture Management Information system (ZIAMIS) to help develop a comprehensive solution to manage the weather index insurance product for smallholder farmers on FISP. The improved ZIAMIS will digitise beneficiary management, triggered pay-outs management, insurance e-voucher management, invoice management and associated reports for monitoring and tracking any activities on the weather index insurance product. At the end of the year, the system supported the 2019/2020 farming season weather index insurance premium payment to insurance companies to facilitate claim pay-outs to affected farmers and is expected to facilitate claim payouts to the affected farmers for the same farming season.

IMPACT HIGHLIGHT

Piloting of digital school fee payments

Working with CRS in partnership Noano and MTN, FSD Zambia has been piloting the digital school fee payment platform. The platform was developed to enable parents to pay for school fees digitally, using MTN electronic wallets to pay directly into school accounts. The platform will ease costs for parents: MTN has dropped all transactions charges. There is now a firm commitment by the Government to digitise school fee payments of all Government schools in Zambia. A pilot of twenty (20) schools in Lusaka province has commenced, with plans to roll out to 200 schools countrywide in a larger pilot next FY.
Finance and governance

In our fourth year of operations, FSD Zambia considerably enhanced and consolidated its governance and operations. Regular meetings by its Committees has made the Board more effective and efficient in managing increasing and complex workflows. A significant amount of governance work has helped FSD Zambia be more structured and organized as it gets ready for a growth spurt under the new FSD2.0. This shifts us from financial inclusion to work on the real sector links to financial services and markets for inclusive growth. Financial services continue to be improved. Our financial spend projections are more accurate, and we have been able to absorb and use additional resources for expanded results. FSD Zambia has set up to digitise more of its systems and improve digital reporting, as well as addressing attempted fraud and cybercrime by enhancing system security and assessing new ways of protecting us from digital attacks. Improvements in links to procurement and contract management, as well as development of a wide range of reviews, systems, and checks by the new Director of Internal Audit, has assisted in better anticipating problems and managing risk. It also has helped deal with the COVID-19 challenges in operations; we moved to working from home on 27 March 2020.

Expenditure Composition

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<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Consultancy</td>
<td>£810,482</td>
<td>18.9%</td>
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<tr>
<td>2</td>
<td>Employee salaries and benefits expense</td>
<td>£1,170,456</td>
<td>27.3%</td>
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<tr>
<td>3</td>
<td>Partners payments and resource fees</td>
<td>£1,033,958</td>
<td>24.2%</td>
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<td>4</td>
<td>Insurance and Utilities</td>
<td>£18,768</td>
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<td>5</td>
<td>Lease Liability Interest</td>
<td>£17,770</td>
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<td>6</td>
<td>Board expenses &amp; other meetings</td>
<td>£387,471</td>
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<tr>
<td>7</td>
<td>Local and international travel</td>
<td>£346,848</td>
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<td>8</td>
<td>Staff welfare costs, training and workshop</td>
<td>£88,817</td>
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<tr>
<td>9</td>
<td>Telephone, internet, fax and postage</td>
<td>£20,129</td>
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<tr>
<td>10</td>
<td>Depreciation/amortization</td>
<td>£134,017</td>
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<td>11</td>
<td>Equipment expenses</td>
<td>£81,904</td>
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<td>Bank charges</td>
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<td>Audit/accountancy</td>
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<td>Printing and stationary</td>
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<td>Legal and statutory fees</td>
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<td>17</td>
<td>Tax penalties</td>
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<td></td>
<td><strong>Total</strong></td>
<td><strong>£4,279,969</strong></td>
<td><strong>100%</strong></td>
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</table>

£1,477,340 = Liabilities
£4,279,969 = Assets
£4,279,969 = Income

= £1,477,340