



Unlocking Public and Private  
Finance for the Poor



# Growing Digital Financial Inclusion in Zambia

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# PART 1 — WHAT HAS CHANGED IN PEOPLE'S LIVES WITH THE GROWTH OF DIGITAL FINANCE?



## ELASE'S STORY

When Elase Mwale was first introduced to mobile money in 2014 by a friend, she saw it not only as a business opportunity but also as a life-changer.<sup>1</sup>

Until then, when Elase wanted to send money from her home in Lusaka back to her village near Mansa in northern Zambia, she had to give an envelope full of cash to a bus driver and hope a family member would be able to receive it 10 hours later. She wanted to save but was worried about the safety of keeping cash in the house. If she wanted extra money to buy something, she had to ask her husband for the cash.

Elase replaced the envelope with a mobile wallet, in which she saved for six months until she was able to buy a mobile money booth in Misisi, an area to the south of the Lusaka Central Business District. The location was good and the business went well, to the point that she was able to invest in two more booths.

However, one particular problem kept hampering her business growth: Elase was often short of liquidity and was limited in the extent to which she could serve both people who wanted to withdraw cash and those who needed to top up their mobile money. When she ran out of money, she would have to close her booth, get on a bus, travel to the Service Centre 30 minutes away and return with the extra funds. On top of the cost of the bus fare, she found that she lost

customers, who moved on to work with another agent in the meantime. Without access to capital, she could not grow her business. Without more business, she could not grow capital. She was stuck.

Around this time, Elase was approached by an agent of FINCA, a microfinance institution that had been working with the UN Capital Development Fund (UNCDF) programme MM4P (Mobile Money for the Poor) to develop a transaction-history-based loan product for agents. Based on the number and size of her daily transactions as well as how long she had been continually in business, Elase was told she was eligible for an 'Agent Cash' loan. Elase immediately used the loan to expand her float, which allowed her to serve more customers. More customers meant more revenue, and within three months, she was able to expand her business to five booths.

Today, Elase is an entrepreneur who has had a new world open up to her in terms of growing her business as well as providing benefits to her staff and family; the multiplier effect of this loan product on the lives of her employees and family members is a game-changer. She employs four people from her extended family and from her church. She supports a niece in nursing school, besides taking care of her two daughters.

Elase has paid back two thirds of what she owes to FINCA and is now financially independent of her husband. Since she started using mobile money and received the non-collateralized loan from FINCA, Elase has upgraded her business and is poised to take advantage of any other opportunities that she wants.

In Zambia, Elase is not the only one who feels this way.

## THE ZAMBIAN DIGITAL FINANCE REVOLUTION

In 2015, only 4% of Zambian adults had an active digital finance account.<sup>2</sup> Despite having seen one of the earliest launches of mobile money services on the continent (Zap by Celpay in 2002), the sector was stagnating. Mobile money was accused of being stuck in what was referred to at the time as the 'sub-scale trap,' namely, Zambia was too small a market and too geographically spread out to be a mobile money success story.<sup>3</sup>

In 2019, the Zambian digital finance ecosystem looks very different—it has grown exponentially (and well past the 'tipping point') and has now exceeded expectations of both domestic and international audiences. According to the UNCDF market development framework, shown and described in figure I, the sector has evolved from the Start-Up stage to late Expansion stage and some parts of the ecosystem have already reached the Consolidation stage. This dramatic transformation contains millions of stories like that of Elase, of digital finance offering new opportunities to Zambians, both as beneficiaries and agents of change. These stories are ones of business growth, community development, increased resilience and improved livelihoods.

The transformation of the Zambian digital finance ecosystem can easily be seen in the raw numbers. Active digital finance accounts now represent 44% of the adult population compared to 2% in 2014.<sup>4</sup> There are 478 active agents per 100,000 adults compared to just 13 five years ago.<sup>5,6</sup>

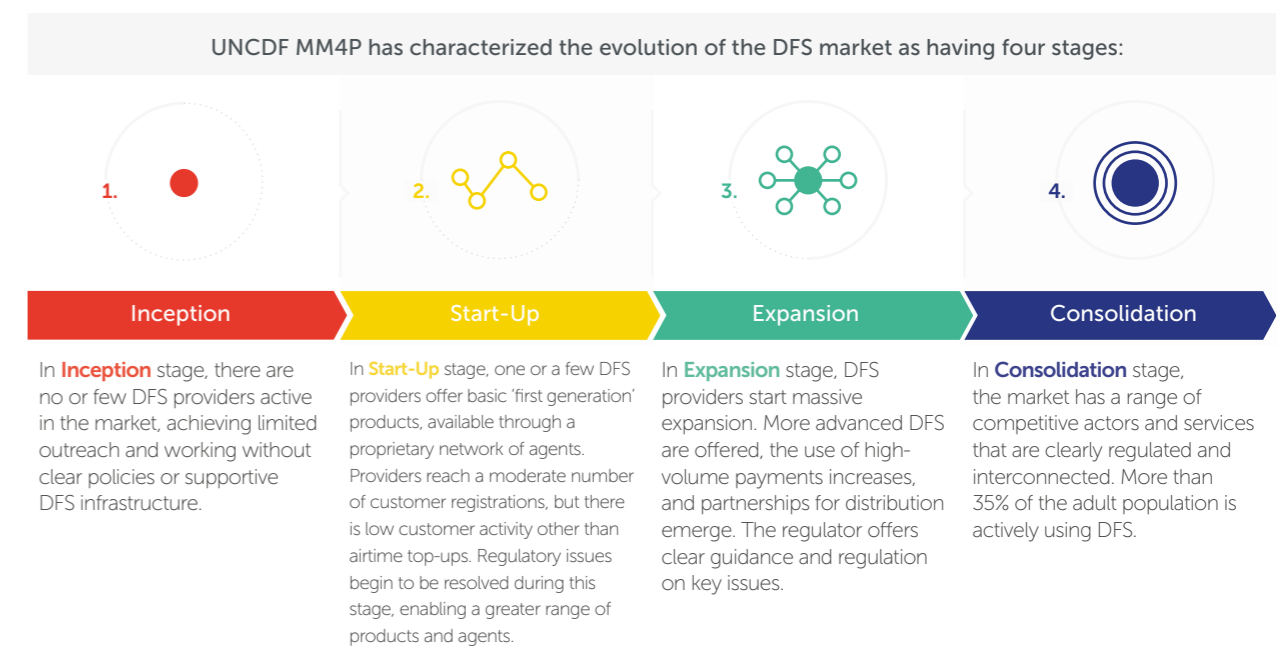
These mobile money agents, people just like Elase, have been at the heart of the growth of digital financial services (DFS) in

Zambia. Getting the incentives right for agents and giving them the tools to manage their balances and grow their enterprises together has led to a remarkable increase in the touchpoints for mobile money. The number of active customers in 2019 has reached 4,350,000, surging from just 330,000 five years earlier.<sup>7</sup> It is clear that, somewhere around this time, Zambia has broken out of the sub-scale trap.

Behind these numbers lie some fundamental shifts in the landscape of DFS in Zambia. While previously it was characterized by siloed, non-collaborative business models, now it is a sector brimming with partnerships and healthy competition. Innovations in product design and delivery channels mean that the sector is about much more than mobile money. The usage of DFS has progressed from a 'first generation' of person-to-person transfers, cash-in/cash-out transactions and airtime purchases to a 'second generation' of digital products, including pay-as-you-go energy products, international remittances, an emerging class of merchant payments and digital loans just like the one received by Elase. The sector has gone through a revolution, and it is poised for the next wave of inclusive digital finance innovations.

Recognizing the multifaceted nature of market development, we have worked across the Zambian DFS ecosystem and are proud to have been a part of this revolution. We have collaborated with financial service providers to incorporate human-centred design (HCD) into their product development processes and to improve their usage of data analytics. We have aided in the development of go-to-market strategies for new services, such as non-collateralized lending and new pay-as-you-go energy models. We have helped build out the systems for bulk payments, rural agents and data automation. We have supported policymakers in a range of areas to make the public-private dialogue more accessible and actionable to accelerate digital financial inclusion. The timeline shown in figure II demonstrates the progress that we have made in supporting the emergence of Zambia from an early stage DFS ecosystem to a regional leader.

Figure I Market development framework



<sup>2</sup> Percentage is based on 2015 data from the Bank of Zambia.

<sup>3</sup> Ignacio Mas and Daniel Radcliffe, 'Scaling Mobile Money,' *Journal of Payments Strategy & Systems*, vol. 5, No. 3 (September 2011). Available at SSRN: <https://ssrn.com/abstract=1681245>.

<sup>4</sup> Nandini Harihareswara and others, 'State of the Digital Financial Services Market in Zambia, 2018' (Lusaka, UNCDF, 2019).

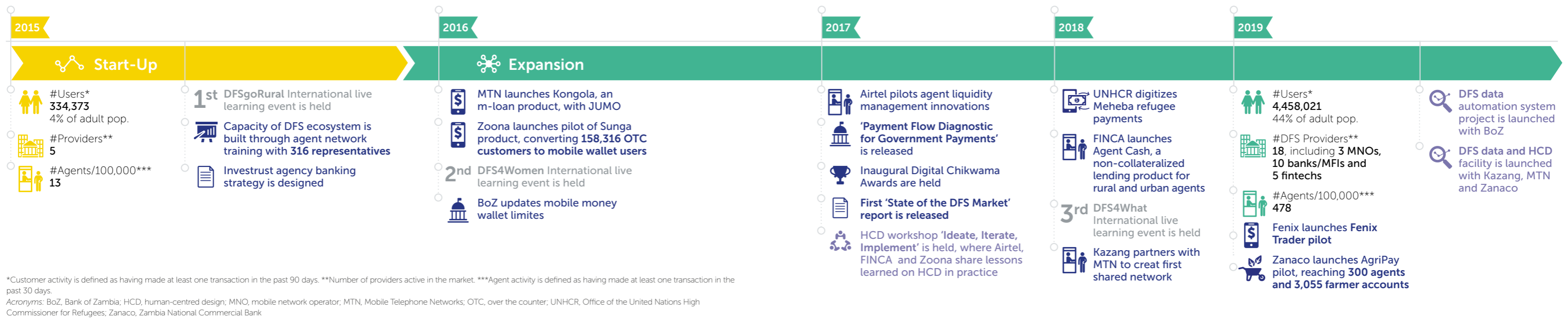
<sup>5</sup> Agent activity is defined as having made at least one transaction in the past 30 days.

<sup>6</sup> Harihareswara and others, 'State of the Digital Financial Services Market in Zambia, 2018.'

<sup>7</sup> Customer activity is defined as having made at least one transaction in the past 90 days.

<sup>1</sup> Interview by Malingose Kambandu and Howard Miller, Lusaka, 25 September 2019.

Figure II Timeline in Zambia



## PART 2 — OUR ROLE IN THE MARKET

### OUR APPROACH

We have played a critical role in the growth of the Zambian digital finance ecosystem. The story of this growth is, like any market system, a complex one, with many moving parts and a wide range of stakeholders working both to increase their own stakes in the market and the ecosystem as a whole. These stakeholders range from DFS providers (mobile network operators, banks and fintechs) fighting for client uptake and usage to policymakers and regulators (Bank of Zambia and the Zambia Information and Communications Technology Authority), as well as an array of ecosystem actors like technical service providers, development organizations and start-up incubators.

When it comes to the development of inclusive markets, we understand that the impact on people's lives is first and foremost among our priorities so one or two success stories cannot be enough. For comprehensive impact, the ecosystem needs to remain competitive, leveraging partnerships and innovations for that dynamic competitive environment to thrive.

After years of working to advance financial inclusion in countries across the globe, we developed an ecosystem approach that allowed us to catalyse change, align incentives and apply formal as well as informal methods of market facilitation. The ecosystem development approach, as represented in figure III and as detailed through key indicators in table 1, has provided the overarching framework for our work in Zambia. After conducting a listening tour across the ecosystem, we sharpened our focus on the market constraints that were preventing the uptake and usage of DFS in the country.

Figure III Ecosystem development approach

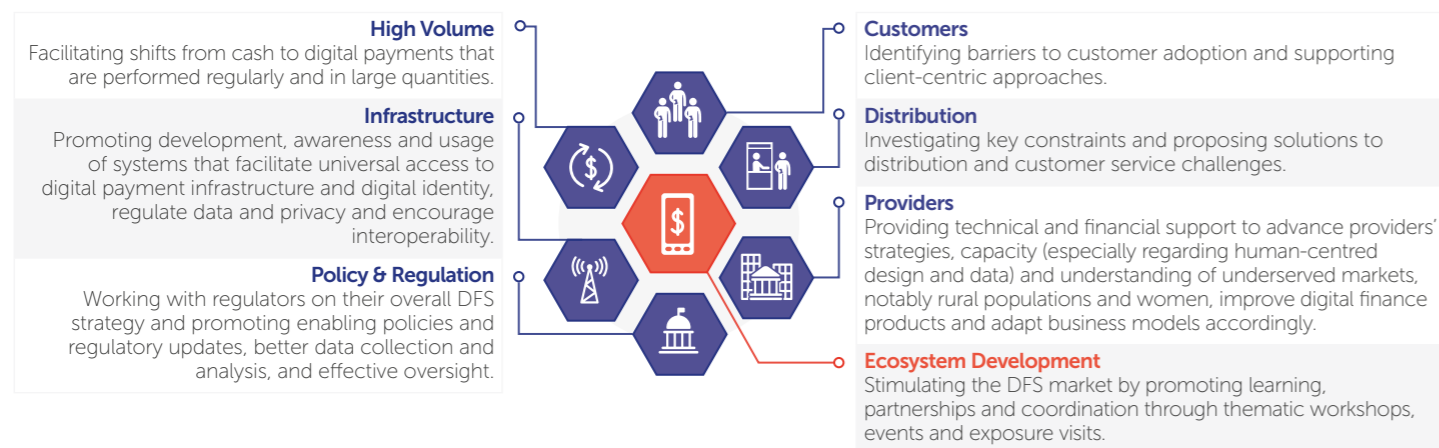


Table 1 Digital finance indicators in Zambia, 2015 versus 2019

Indicator	Market stage and value (2015)	Market stage and value (June 2019)
Percentage of adult population with an active registered DFS account	4%	44%
Number of active agents per 100,000 adults	37	478
Number of providers offering DFS in the market <b>on a sustainable basis</b>	1	11 of the 13 providers that responded to the 2018 annual provider survey report that DFS represent a commercially sustainable business.
Providers' attitudes and plans towards expanding and improving their digital finance products and services	Providers indicated that they have strategies to expand DFS, primarily expanding agent networks and customer numbers.	Providers see increased investments both in human resources and capital for the expansion of DFS within the organizations, and there are partnerships with microfinance institutions to offer liquidity solutions and loan products for both customers and agents in rural areas.
Types of products offered in the market	Basic services are offered in the market.	Both first- and second-generation products exist in the market.
Types of institutional arrangements established for high-volume payments	None	There are bilateral agreements, though high-volume payments are still largely being conducted in urban areas.
Types of partnerships formed for delivering DFS	None	There are bilateral agreements between providers, though most providers are still largely operating exclusively, while partnerships mainly address liquidity issues.
Types of regulation supporting DFS	Regulator permits bank or non-bank DFS provider with agents to launch DFS.	There is regulation to support agency banking and e-money.
Zambia market stage	Early Start-Up	Late Expansion

Inception Start-Up Expansion Consolidation

## OUR PROJECTS

When we entered the Zambian market five years ago, the market was still in the Start-Up stage of development. Providers did not necessarily see DFS as a high potential area for growth. Our theory of change was that, by providing information and insights, building relationships and capacity, and investing in high-potential projects, we could positively affect changes in the behaviours of providers and other stakeholders in the DFS ecosystem. These changes would in turn influence the way that customers accessed and used DFS, ultimately improving their lives. In this way, the market would develop and Zambian households would benefit from increased financial security.

Our ecosystem approach enabled us to work across the Zambian digital finance landscape using a mixture of grants, technical assistance, research, data, dialogue and—most importantly—relationships. In all, we carried out more than 20 projects in Zambia over five years, which have brought about change in the ecosystem in a multitude of ways that are described in the paragraphs below as well as table 2.

### Making small catalytic investments that private and public sectors sustain

We saw early on in the Zambian market a hesitancy to invest in new partnerships and innovations. We knew that capital for investments was there, but it was often locked up due to risk aversion. Our approach was, therefore, to fund initial risks, help prove new concepts and demonstrate the effectiveness of new models in reaching organizations' target markets. Then, we could incentivize the public and private sectors to provide further investments to reach scale.

An example is provided by our work with Kazang, a fintech that was at a crossroads in 2017, deciding whether it should develop its own mobile wallet or become a third-party provider. Kazang came to us with a question: "What services do we need to offer to remain relevant?" We supported Kazang to develop

a business strategy to pivot to a model as a third-party agent network, opening up infrastructure for other market players and becoming the first and only shared agent platform in the country. Kazang is now integrated with Atlas Mara, Ecobank, Mobile Telephone Networks (MTN) and Zoono.

That strategy was used to persuade management to invest in the new business model. In fact, the private sector investment that was catalysed by our initial support has grown the Kazang active agent network from 2,300 to 9,000, and the fintech is investing further in this business strategy and expanding into new partnerships.

### Fixing and caring for agent networks

We believe that agent networks are at the heart of DFS. Early on, in 2015, we commissioned a diagnostic study of agent networks in the country by the Helix Institute of Digital Finance.<sup>8</sup> The accompanying report resulted in five projects with DFS providers, as the industry came to see us as experts. We then worked with DFS providers, including Airtel, to understand their respective agent journeys. Overall, in Zambia, our activities contributed to improving agent commissions.

Using an immersion strategy, we took Airtel Money staff into the field to 'live' the experience of being an agent. Staff developed empathy for the day-to-day challenges faced by agents: lack of liquidity, trouble with rebalancing and lack of capital. Based on the findings, we were able to work with Airtel (and the agents themselves) to create and pilot two new models for the company's agents: an agent-to-agent lending programme (allowing them to increase liquidity within a cluster) and a partnership with JUMO to provide a lending facility for 520 top-performing agents. Chris Chileshe, Country Head of Airtel Money Zambia at the time, said that this effort helped push mobile money beyond a tipping point. Furthermore, we helped facilitate the necessary dialogue internally and the "battle" externally. He said, "UNCDF's expertise, particularly on customer journey mapping, was critical. We realized we had to completely change the way we did customer acquisition."

We are also helping the pay-as-you-go energy sector test different models of agent network management, partnership and liquidity to increase not only financial access but also energy access with Fenix and SupaMoto.

### Using data for customer-centric design

By 2017, one of the realizations we had was that providers that understood their data and were able to act on the data had an advantage in the market. Despite the growing numbers, both the public and private sectors were asking for help in building their capacity and understanding their data systems as well as improving their ability to make data-based decisions. In fact, providers and policymakers do not always understand their own data systems. Moreover, their own internal data systems are often non-interoperable. Many lack basic dashboards to encourage data-based decision-making by management. A 'Data Navigator' is in heavy demand by almost every stakeholder in the DFS ecosystem. Ecosystem players see great potential for data to enhance digital financial inclusion, while we propose that the people who should benefit the most from customer data should be the customers themselves.

An example is provided by our work with FINCA, which resulted in Elase receiving a loan to grow her mobile money business. FINCA knew that agents had many pain points; however, it was not until they received our support on HCD, to map the agent journey in detail, that the organization identified liquidity as the binding constraint. FINCA not only realized that addressing this issue would cause other problems to fall away but also that the genesis of a solution might already exist: the customers' own data.

We were able to ensure the successful operationalization of a partnership that combined the transaction data from MTN with the credit analytics platform of FINCA, which meant that the value of the data could be extracted for the benefit of the customers. Agents without collateral could borrow based just on the data they generated day to day. The result has been hundreds of agents like Elase being able to grow their businesses.

Another example is seen by our efforts to help the public and private sectors understand the landscape for government payments as well as to map and benchmark industry data and trends. In regards to the former, the payments diagnostic that we completed for the Government resulted in two financial service providers, MTN and Zoono, prioritizing bulk payments in their business strategies after reviewing the report. In regards to the latter, the annual reports on the state of the Zambian DFS market that we produced became a common reference for market stakeholders.

### Creating platforms for public-private dialogue and regulatory navigation

To bring together what was a relatively disorganized and siloed DFS market, we positioned ourselves as a neutral broker in the Zambian market, establishing trust with stakeholders across the public and private sectors. Feedback2Action workshops, a forum for public-private dialogue that we facilitated with Financial Sector Deepening Zambia, offered a valuable channel through which issues facing the sector could be constructively communicated to key policymakers and regulators. This channel helped, for example, in facilitating an increase to the limits on mobile wallet balances. A strong relationship with the central bank also contributed to the opening up of know-your-customer restrictions for refugees with Airtel and Standard Chartered Bank.

The trust that we built with the Bank of Zambia, the country's central bank, also opened the door to later-stage projects, such as one to automate the DFS data flowing into the Bank of Zambia systems. Building on our successful work with Nepal Rastra Bank, that country's central bank, we were able to provide the Bank of Zambia with technical assistance to automate the flow of DFS data. The frictionless flow of data will enable the Bank of Zambia and private players to make more informed, data-driven decisions, as well as increase competition by providing visibility to the performance of different players. Other public-sector institutions, like the Central Statistical Office and Ministry of Finance as well as the World Bank and others, can also use this publicly available data. Additionally, it allows the Bank of Zambia to support the monitoring of the implementation of the National Financial Inclusion Strategy and to mandate sex-disaggregated data, a critical building block to the push for gender equality in DFS.

### Building the local foundations for the Zambian digital economy

Over the past five years, we have helped drive the transition from a first generation of mobile money to a second generation of DFS, including digital lending products, international remittances and merchant payments. What we are hearing from the ecosystem is that "Zambians want more." The market needs expertise to help drive the future digital economy forward, taking advantage of changes in market dynamics that are offering new opportunities in relevant use cases and using digital solutions in reaching a broader set of development goals.

The broad and deep foundations that we have built through our partnership with the Mastercard Foundation now allows our team to explore new areas of the Zambian digital economy. For example, through our FinTech4U collaboration with BongoHive (a local start-up accelerator), funded by Comic Relief and Jersey Overseas Aid, we are providing Zambian fintechs with the support that they need to bring an idea through the early stages of development to form viable DFS. Furthermore, inspired by the results of our research, documented in our report 'Labour Pains: Discovering the Financial Lives of Zambian Mothers' and supported by the Mastercard Foundation, we launched Sprint4Women—a first-of-its-kind design sprint competition for women's financial inclusion in Zambia, supported by Comic Relief and Jersey Overseas Aid, that has received multiple applications from Zambian DFS providers that span banks, mobile network operators and fintechs. This effort not only supports small, medium and small DFS providers (including fintechs) to increase their female customer base but also attempts to make sex-disaggregated data collection a norm in the market. Both initiatives offer private-sector actors the opportunity to engage with regulators, so as to help them navigate the regulatory environment and provide regulators with insights as to what is happening at the innovation frontier.


<sup>8</sup> Akhand Twari and Irene Wagaki, 'Agent Network Accelerator Survey: Zambia Country Report 2015' (n.p., UNCDF, January 2016).

# LIST OF PROJECTS

Table 2 List of projects

THEME	KEY CHALLENGES	KEY ACHIEVEMENTS	
 <p>Customers</p>	<b>Kazang (2019)</b> Understanding internal data systems, building capacity for data analytics, analysing market demand and designing customer-centric products based on data.	<b>Data + HCD facility</b> The Kazang agent base was segmented and the top <b>20% of the agent base (1,522 agents)</b> was identified for special support, thereby <b>improving overall agent performance</b> .	
	<b>MTN (2019)</b> Understanding internal data systems, building capacity for data analytics, analysing market demand and designing customer-centric products based on data.	<b>Data + HCD facility; Impact Pathways</b> With UNCDF support to analyse its customer dormancy rates, MTN was able to reactivate a large part of its registered customer base, <b>contributing more than 15% to its current active mobile money subscriber base of 2 million</b> . Its IT and mobile money business teams now can analyse sex-disaggregated data, customer activity, agent commissions and more in the Zambia office.	
	<b>Zanaco (2019)</b> Understanding internal data systems, building capacity for data analytics, analysing market demand and designing customer-centric products based on data.	<b>Data + HCD facility</b> The partnership with UNCDF provided business intelligence and analytical support to the Digital Banking Division. It generated new insights into Zanaco customer behaviours and customer usage of digital channels. Of the total digital base, <b>35,000 digital customers were identified as potential targets for cross-selling of other digital services via SMS and other below-the-line marketing activities</b> . The new report was recommended for bank-wide adoption.	
	<b>UNHCR (2016–2018)</b> Transitioning refugee payments to digital transfers in Meheba refugee settlement.	<b>Refugee financial inclusion via mobile money and bulk payments</b> <b>Over 5700 refugees received bulk payments</b> through digital channels in Meheba refugee settlement. UNHCR Zambia is working to scale it up in other camps, and other UN agencies (like WFP) are working to leverage UNDP infrastructure to move to digital payments. BoZ allowed refugees to access mobile money via KYC allowance.	
	<b>WFP (2018)</b> Building customer centricity into a farmer buying/selling platform product.	<b>Improvement of user interface and user experience for farmer-facing Maano product</b> <b>WFP received farmer-led feedback on changes to the user interface for Maano</b> , which it will integrate into the next version of the product (e.g., when shown a picture of a dollar note, which was meant to represent money or payment, all the farmers interpreted the icon to be a smartphone in a person's hand).	
	<b>Zoona (May 2016)</b> Launching a new product that would turn OTC customers into e-wallet owners using an HCD approach.	<b>Launch of Zoona Sunga ("Keep") product</b> <b>A 93% satisfaction rate</b> was achieved among all recruited customers (target was 80%). The agent network was trained and managed for the launch. <b>A total of 158,316 customers converted</b> from OTC to wallet services. HCD methodology is being used for the launch of Sunga in other markets and new product launches.	
	 <p>Agents and distribution</p>	<b>Airtel (2017)</b> Improving agent liquidity and understanding agent incentives.	<b>HCD agent journey and agent liquidity</b> <b>Airtel had customer and agent journey analyses completed to understand "headaches" for both groups</b> . It tested three agent liquidity models, two of which (agent-to-agent lending and on-demand e-float lending to agents) are in use and have significantly improved liquidity, helping Airtel to become one of the leading DFS providers in Zambia.

THEME	KEY CHALLENGES	KEY ACHIEVEMENTS
 <p>Agents and distribution</p>	<b>Fenix (2019)</b> Testing a new hybrid mobile-money/ pay-as-you-go model in rural areas.	<b>Innovative agent network</b> A total of 93 Fenix Traders were onboarded, <b>402 customers signed up</b> , and <b>40,000+ cumulative unique mobile money customers</b> were helped to cash in, withdraw or buy airtime in the communities where Fenix Traders operate.
	<b>FINCA (2016–2019)</b> Improving agent liquidity and developing a product for lending to mobile money agents.	<b>HCD</b> Rural agent liquidity improved by 113%. <b>There are 296 active agents (68% agent activity rate, against the target of 65%)</b> . ZMW1,500,000 (US\$113,111) were disbursed against target of ZMW500,000 (US\$37,704).
	<b>Investrust (2015)</b> Designing an agent banking strategy.	<b>Agent banking strategy</b> <b>Strategy was designed</b> . Investrust leadership is to progress implementation.
	<b>Kazang (2017–2018)</b> Designing a necessary new business strategy, especially in regards to growing and managing a large agent network.	<b>Agent management strategy</b> We recommended that Kazang share its agent network with other ecosystem players. Kazang is now the most successful shared agent network in Zambia, <b>with 9,000 active agents and growing</b> . We also helped tailor a smartphone app to help Kazang manage agent networks.
	<b>Zanaco (2019)</b> Supporting the launch and scale-up of AgriPay, a farmer-facing mobile money product.	<b>Booster team for AgriPay</b> <b>A total of 300 agents and 3,055 farmer accounts</b> (51% belong to women and 59% to youth) were onboarded.

 <p>Providers</p>	<b>BoZ (2019)</b> Automating data flows from FSPs.	<b>Data automation</b> <b>Now 8 providers are using the system and providing complete returns</b> , though the target is all 50+ FSPs reporting to the BoZ National Payments Division to use the system by Q2 2020.
	<b>MTN (2017–2018)</b> Developing a necessary strategy for bulk payments.	<b>Bulk payments</b> <b>We developed (1) a go-to-market strategy for bulk payments and (2) training manuals for agents and customers</b> , all of which are currently in use. There has been <b>112% growth</b> in bulk payments since implementation of the project.
	<b>ZamPost (2018)</b> Supporting a DFS strategy.	<b>DFS strategy</b> <b>There is a current leadership change, so the strategy is yet to be implemented</b> .
	<b>Zoona (2019)</b> Developing a strategy for bulk payments and conducting a technology refresh.	<b>Bulk payments</b> Strategy was designed and implemented, and technology was deployed. <b>All 14 existing customers will be converted by November 2019</b> .

Acronyms: BoZ, Bank of Zambia; FSP, financial service provider; KYC, know your customer; OTC, over the counter; UNDP, United Nations Development Programme; UNHCR, Office of the United Nations High Commissioner for Refugees; WFP, World Food Programme; ZamPost, Zambia Postal Services Corporation; Zanaco, Zambia National Commercial Bank.  
 Conversion rate: US\$1 = ZMW13.2613. Source: <https://treasury.un.org/operationalrates/OperationalRates.php>, 1 November 2019. Note: This document refers to the Zambian kwacha as ZMW based on guidance from the Bank of Zambia after a currency adjustment.

# PART 3 — LESSONS LEARNED AND THE WAY FORWARD

## CRITICAL SUCCESS FACTORS

### A focus on relationships, allowing us to be a neutral broker

As a UN agency, UNCDF is uniquely positioned to act as a trusted, independent market facilitator. Market development occurs when the public and private sectors can work together to identify and overcome market dysfunctions. Under the motto of the UNCDF Zambia team, “Your KPIs are our KPIs,” we clearly aligned the results of our engagement with the key performance indicators of relevant stakeholders, creating a roadmap for win/win outcomes. We were able to promote constructive dialogue, through both formal and informal channels, without being perceived as being on any one particular stakeholder’s side.

### A team of experts on the ground, leveraging a global knowledge base

By having a team of experts on the ground for a long period of time, we were able to build trust and demonstrate our commitment to long-term market development. Almost all of the people who were interviewed spoke about the value of having a local partner with a global knowledge base, drawing from similar experiences across Africa and Asia.

For instance, our booster team model that we tested with Zanaco drew from the MM4P programme’s original work in Uganda. Our work with FINCA Zambia had a duplicate project in Uganda that, in fact, was unsuccessful. Our work on HCD in Zambia inspired the inclusive innovation work of UNCDF in China and Malaysia. As a local partner, we were able to better evaluate projects, take more risks and let some projects fail, confident that we could learn from them and increase our impact over the long term.

### A long-term investment, enabling real-time agility to adapt to changes on the ground

The long-term partnership of the Mastercard Foundation and UNCDF allowed our team in Zambia to develop long-term relationships with all relevant DFS stakeholders and focus on overcoming their market barriers. Only after building this initial trust were we able to begin testing more radical ideas—like our data and HCD facility, which is building the capacity of DFS providers in data analytics, or our more recent Sprint4Women design competition. Because partners knew we were in it for the long haul, we were able to work together to weather changes, whether in institutional strategy, staffing, macroeconomic shifts or even a cholera epidemic.

### An effort to learn from failures

Part of a market development programme is taking risks and accepting that some of them will not pay off. For example, though we initially had high expectations for bulk payments as a means of expanding digital financial inclusion in Zambia, we struggled to find traction with these projects. Our ability to identify early indicators of failure, such as key personnel moving out of a partner institution, meant that we could redirect resources into areas with higher potential for impact, while also incorporating lessons learned from these projects into future programming. We had several projects that focused on helping providers with their strategies; while some were not used, others were used to great success and have actually driven changes in the market, like the shared agent network strategy of Kazang.

### A willingness to go to places where others do not want to go and tackle some of the most complex challenges in the ecosystem

We have gone into areas that others might have considered too risky or challenging, such as our work to provide DFS access to refugees in partnership with the Office of the United Nations High Commissioner for Refugees. We have also been willing to work in the ‘less glamorous’ areas of the industry, such as data capacity-building and automation, confident that it is what the industry needs.

## KEY LESSONS LEARNED FOR THE NEXT PHASE

### Things move fast

Usefulness means keeping up with the next wave of innovation. Just as the Zambian digital finance landscape has so dramatically changed over the last five years, it will continue to change at a rapid pace in the next five. Stakeholders, in the public and private sectors, need help to keep up. New technologies, more data and the growth of super platforms will expand opportunities but will also require appropriate policies and infrastructure to ensure they work in the interests of consumers. We have found that it is a mixture of research, data and best practices along with the most important ingredient—actionable recommendations—that is a ‘must’ for any actor to drive an inclusive digital economy.

### Growth must be conscious of the digital divide

Although we have seen incredible progress in the Zambian mobile money sector, it is not a given that it will continue to grow until the whole population is digitally financial included. Certain populations, particularly poorer and very rural ones, without access to a mobile phone or a cash-in/cash-out network, still do not have access to basic services. As we push into new areas, we need to make sure to not leave people behind; we must use digitization to narrow, not widen, inequalities.

### The end goal is providing people with the digital tools to help them achieve their needs, wants and aspirations

Real impact comes when people use digital finance as a tool to unlock improvements in their livelihoods: when a farmer can receive digital payments from a buyer and use that money to easily reinvest in next year’s inputs, when a digital loan allows investment in a cleaner energy source, or when an insurance policy bought through a mobile phone means a family is able to take a sick child to the hospital.

“MM4P has been critical for the market’s development. The team has played a key role in bringing the sector together. We see them as an enabler for everyone else.”

— Gareth Evans, International Technical Adviser, Rural Finance Expansion Programme, Ministry of Finance and International Fund for Agricultural Development

“We see them as a trusted partner in development. It has really helped to have a third party who is trusted by the regulator to be independent.”

— Edmund Barwuah, Country Head of Mobile Money, MTN Zambia

“UNCDF’s expertise, particularly on customer journey mapping, was critical. We realized we had to completely change the way we did customer acquisition.”

— Chris Chileshe, Country Head, Airtel Money Zambia

“The project was an unmitigated success. We credit UNCDF not just with developing the new strategy but also helping us to operationalize it.”

— Nasho Sombe, Head of Business Development, Kazang Zambia

“On a scale of 1 to 10, I’d rate the importance of UNCDF’s involvement as a 10. They helped us with financing, research, the relationship with the MNO [mobile network operator] and the data analytics. We could call them any time, day or night, and they’d pick up the phone.”

— Weluzani Ziwa, Digital Financial Services Manager, FINCA

“We knew that we had data, but it was mindblowing to realize how much gold was in the mine.”

— Jessica Chisompola, Head of Digital Banking Alliances, Zanaco

“UNCDF [team members] were always sensitive to our pain points. Their expertise and experience in DFS complements our work. They wouldn’t just come in with their own agendas; we were always able to sit down and work out the most effective ways to collaborate.”

— Miriam Tembo Kamuhuza, Assistant Director, Payment Systems, Bank of Zambia



## LEAVING NO ONE BEHIND IN THE DIGITAL ERA

The UNCDF strategy ‘Leaving no one behind in the digital era’ is based on over a decade of experience in digital finance in Africa, Asia and the Pacific. UNCDF recognizes that reaching the full potential of digital financial inclusion in support of the Sustainable Development Goals aligns with the vision of promoting digital economies that leave no one behind. The vision of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the Sustainable Development Goals. UNCDF will apply a market development approach and continuously seek to address underlying market dysfunctions.

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