



SUBMISSION TO THE PARLIAMENTARY COMMITTEE ON MEDIA, INFORMATION AND COMMUNICATION TECHNOLOGIES

ZAMBIA'S ICT INFRASTRUCTURE VIS-À-VIS FINANCIAL TECHNOLOGY GROWTH

JANUARY, 2024



PMRC was requested by the Committee on Media, Information and Communication Technologies to submit a written memorandum on Zambia's ICT infrastructure Vis-à-vis financial technology growth. The submission will address the following:

- a) The policy and regulatory frameworks governing ICT and FinTech in Zambia
- b) The state of Zambia's ICT infrastructure, including details on internet connectivity, data centres, digital platforms, mobile networks and other relevant infrastructure components
- c) The effectiveness of mobile money services in reaching unserved and underserved areas in remote parts of Zambia
- d) Recommendations on how to enhance Zambia's ICT infrastructure to better support the growth of the FinTech sector

The policy and regulatory frameworks governing ICT and FinTech in Zambia

Regulation of financial services

Zambia's financial services are regulated by the Bank of Zambia (BOZ). The following pieces of legislation empower BOZ to regulate financial services:

- The Bank of Zambia Act (1996) establishes the central bank's role in promoting monetary stability, issuing currency, and fostering a sound financial system in Zambia.
- The National Payment Systems Act (2007) outlines the legal framework for electronic payment systems, ensuring their efficiency, security, and integrity within the country.
- The Banking and Financial Services Act (2017) governs banking operations, aiming to maintain financial stability, protect depositors, and regulate the conduct of financial institutions in Zambia.

Regulation of Electronic Communication Networks and Services

Zambia's ICT sector is regulated by Zambia Information and Communications Technology Authority (ZICTA). The following pieces of legislation empower ZICTA to regulate the ICT sector:

- Information and Communication Technology Act (No. 15 of 2009). This legislation provides the foundational framework for the regulation of the ICT sector in Zambia. It establishes the legal basis for the creation of the ZICTA and outlines its functions and powers including its role in licensing and regulating ICT services.
- The Cyber Security and Cyber Crimes Act (No. 2 of 2021). This legislation addresses issues related to cybersecurity and cybercrime in Zambia. It aims to enhance the security of ICT systems, networks, and data and it provides a legal framework for addressing cybercrimes.
- The Electronic Communications and Transactions (Act No. 4 of 2021). The objective of this legislation is to provide for a safe and effective environment for electronic transactions and also empowers ZICTA to supervise compliance relating to this Act.

Regulation of FinTechs

- The regulation of FinTechs in Zambia is jointly undertaken by BOZ and ZICTA.
- These are further supported by, The Securities and Exchange Commission (SEC), The Pensions and Insurance Authority (PIA) and The Competition and Consumer Protection Commission (CCPC).
- Given the cross-cutting nature of FinTechs, in that they are financial services provided through digital platforms, the various regulatory agencies have established relationships through memorandum of understanding to collaborate on matters of common interest.
- BOZ and ZICTA, further developed a collaborative framework for regulation of Digital Financial Services (DFS) in 2022. The framework brings together several stakeholders in the DFS ecosystem with the aim of ensuring roles and responsibilities are clarified, overlaps are removed, coordination is enhanced and ultimately, oversight is enhanced.

Other noteworthy policies/strategies

- National ICT Policy (2023). The Government of the Republic of Zambia approved the 2023 National ICT policy in October of this year. It provides the overarching framework for development of the ICT sector focusing on accessibility of ICT services, innovation, digital skills, the use of e-services, ICT associated risks and enhancing the current legal and regulatory framework.
- National Digital Transformation Strategy (2023-2027). This strategy was launched to support the implementation of the ICT Policy. The strategy is aimed at facilitating the use of digital technologies in all sectors of the economy including financial services.
- National Financial Sector Development Policy (2017). The Financial Sector Development Policy was developed by the Ministry of Finance and National Planning with the aim of having a well-developed, competitive, and inclusive financial system that supports efficient resource mobilisation and access to financial services and products by all. Among others, the policy focuses on developing a competitive and resilient financial sector as well as making the financial sector more inclusive and deepening the financial markets. In addition, the policy seeks to enhance financial infrastructure in accordance with international best practices and facilitate effective and sustainable partnership in the provision of financial products and services.

The state of Zambia's ICT infrastructure

In 2022, ZICTA conducted a gap analysis to establish the extent of deployment of ICT infrastructure in Zambia.

Geographical mobile network coverage

- Geographical coverage is defined as the actual proportion of land areas that are covered by the service providers.
- ZICTA's gap analysis revealed that the geographical coverage by the Service Providers was relatively low at 69.9%. This is as a result of the country's land terrain which is mostly hilly and requires more towers to cover smaller piece of land and this has led to high capital investments by the Service Providers.
- Additionally, most rural areas are sparsely populated and not economically viable to compel Service Providers to make investments in the areas.

- It's also worth noting that Zambia has the second largest proportion of land under protected status in Southern Africa, with approximately 225,000 square kilometers designated as protected areas. This amounts to 30% of the total land cover, with 8% being National Parks and 22% being Game Management Areas. These protected areas also pose challenges for network coverage expansion.

Telecommunication sites

Type of technology	Number of telecommunication sites	Percentage of total
2G	4,702	37.2
3G	3,934	31.2
4G/LTE	3,858	30.6
5G	125	1
Total	12,618	100

Interviews with ZICTA revealed that the total number of telecommunication sites as at the end of June 2023 was 12,618. 2G sites accounted for the largest proportion at 37.2%, followed by 3G sites at 31.2% and 4G sites at 30.6%. In the first quarter of 2023, MTN Zambia introduced 5G technology. These contributed about 1% to the total number of sites reported during the review period. The interview further revealed that 3G and 4G sites have been increasing each year. This, together with the introduction of 5G sites is expected to continue and promote access to mobile broadband and therefore improve the quality of internet services in Zambia.

Digital platforms

- **Government Service Bus:** In the public sector, the Government has made progress in embracing electronic services by cutting down on paper-based and in-person access to services through the implementation of the Government Enterprise Service Bus (GSB) and the Government Payment Gateway. The Government also digitalised the payment of various taxes through the Zambia Revenue Authority. This was done to improve the ease of tax payers in making payments in real time and in location.
- **Digital Identity.** The full implementation of the national identity system is currently underway. Interviews with ZICTA revealed that this system will allow authentication both online and offline as well as the ability to facilitate linkages in information sharing with various electronic services.

The effectiveness of mobile money services in reaching unserved and underserved areas in remote parts of Zambia

The 2020 Finscope survey revealed that adults who had or used mobile money services increased to 58.4% in 2020 from 14% in 2015. The survey further revealed that 29.2% of adults in rural areas were using mobile money services in 2015. This increased to 37.9% of adults in rural areas in 2020. The increased use of mobile money services among adults in rural areas demonstrates its importance as tool of financial inclusion in reaching the unserved and underserved areas in remote parts of Zambia.

The following reasons were cited as barriers to using mobile money by the unserved:

- I do not have a mobile phone
- Do not need it – do not make any transactions
- Do not know how to get it
- Do not know what it is
- No point of service / agent nearby
- Do not have required documents
- Do not trust that my money is safe on mobile money account
- Using it is difficult
- Transaction fees are high
- No one amongst my friends or family use it
- Mobile money does not provide any advantage
- Registration is too complicated
- Don't understand the service/what you can use it for
- My spouse, family, in-laws do not approve of me using it

Recommendations on how to enhance Zambia's ICT infrastructure to better support the growth of the FinTech sector.

- Improve reliability of networks: Operators should enhance network capacity and upgrade technologies to improve the quality and reliability of services, aligning with increased adoption rates and consumer needs.

-
- Expand network coverage: Increase mobile cellular and optic fibre coverage in underserved areas to foster greater access, subsequently leading to increased adoption of services like mobile money.
 - Enhance network security and digital literacy: Intensify efforts to secure mobile money platforms and educate consumers on safe usage, particularly among marginalized populations, to combat the increasing occurrence of mobile money-related scams.
 - Expand agent networks: Broaden mobile money provider agent networks to maximize service benefits and reliability, especially in areas with limited access. Implement a strategic approach to increase merchant payments.
 - Collaboration with FinTech startups. Encourage partnerships between traditional financial institutions and FinTech startups to leverage innovation and resources.
 - Improve information dissemination on the use of the GSB among members of the public to enhance compliance and reduce barriers to accessing government services under this platform.



ZAMBIA'S ICT INFRASTRUCTURE VIS-À-VIS FINANCIAL TECHNOLOGY GROWTH

JANUARY, 2024

Corner of Nationalist & John Mbita Roads, opposite Ridgeway Campus gate
10101 Lusaka, Zambia
Tel: +260 211 269 717 | +260 979 015 660
<https://pmrczambia.com>