Jacqueline Musiitwa
Board Member, Microcred Zimbabwe & Central Bank of the Republic of Zambia

ABF: Tell me about yourself and your background.

JM: I am a lawyer. I started my own firm a few years after getting licensed because I was in the U.S. and wanted to do more Africa-related work. I ended up in Rwanda working with governments to renegotiate contracts to be more equitable for things like natural resources, etc. I was writing current and best practice law and expanding across Africa when I was engaged by MicroCred to be the Head of Legal for Africa. My role at MicroCred focused on mergers and acquisitions, with the goal of acquiring two companies per year for five years. In that capacity, I was the investor nominee to the board of the first acquisition, MicroCred Zimbabwe.

ABF: How did you come to join the board of the Central Bank of the Republic of Zambia?

JM: The Bank of Zambia board dissolved in 2014 when the president died and the new president pushed the Ministry of Finance for a board. The process required a nomination, review and then the Ministry of Finance to approve. A lady stepped off the board and they were looking for a lawyer with strong international experience. The goal was to find another female to keep the gender balance with the desired profile. They were looking to push the idea of inclusivity and also had a pro-youth agenda. I was 33, which was a bonus. I am now entering year three of my first term.

ABF: Can you provide some context on the macroeconomic situation in Zambia?

JM: Between 2014 and 2016, Zambia had a rough patch. It experienced a power crisis, freefalling currency, high government debt, and high nonperforming loans. Today, from a monetary policy perspective, everything has broadly stabilized. The government has been in place for a few years and they are in ongoing talks with the International Monetary Fund (IMF) for an ongoing program, which seems to be on course.

Everyone in the government is playing their part to make things work. The question now is how to kick-start the economy. People are not borrowing or saving. They are spending. How do you get people in the habit of saving? Banks need to develop innovative products, and they are trying to find solutions. Now is also a time for reflection. With the new financial inclusion strategy, there is a more proactive stance on the future because now everyone has the framework and the central bank has financial inclusion as a focus. Zambia is in good space, but there is still a lot of work to be done.

ABF: Can you share your perspective on the decision to implement, and subsequently remove, the interest rate caps in Zambia?

JM: It seems to be similar to Kenya – a populist approach with the hopes of encouraging lending to the masses. Then, quickly learning that the opposite actually happens: interest rate caps cause banks to stop lending, and the people don't benefit. The first thing the current governor of the Central Bank did in office was reverse the caps. Increasing lending was a top priority. The Central Bank also had conversations with banks at that time about keeping interest rates low. The Central Bank learned that rate cap regulation hasn't worked well historically, so they want to figure out how to work together with banks to find a solution.

Stepping back, the question is: how do banks charge interest in a way that makes sense for the population being served? Some people are unbanked for fear of charges. The Central Bank in Zambia is looking at how to get banks outside their comfort zone to serve new clients. How can they create a system of mutual trust?

Ultimately, you take a few steps forward and then a few steps back. In Zambia, the numbers were going well in terms of signing clients up at non-banking financial institutions and then in December 2016, a bank closed for three months during which time shareholders injected money into it. Clients reacted with: 'You see, this is why we are going to put our money under the pillow'. The bank is now back but now there is still a fear of depositing in banks, so it is hard to get people to increase savings. Regulators wrestle with how to communicate market stability when there is even just one weak link. You saw it with banks in Kenya. Dubai, Imperial, and Chase banks all went down, and the reaction was the same. People either don't trust banks or move to the biggest banks. Zambia is pushing through a law for a deposit protection scheme.

ABF: What are you seeing in terms of regulation related to fintechs?

JM: The central bank is trying to push payments and make those payments easier. People are scared of banks and FSPs but still have money to send and like the idea of cash in, cash out. The idea is to start with payments to get people comfortable with the system. It is not a long term solution but might get people to start saving over time. Mobile money in Zambia is not great. There is a conversation with the mobile network operators (MNOs), the banks, and the Central Bank to increase mobile money numbers and usage and savings. That conversation is ongoing.

Mobile money is an area to be better explored. The Central Bank is the lead in part because money needs to be protected. Before, with banks and non-banking financial institutions, the Central Bank had a lot of information on them so could sort out the problems. With the tech firms, it is much harder. You have the information, communications and technology regulator which has agreed to allow Zoona to use bandwidth from Airtel. Pricing still goes to the Central Bank to make sure it makes sense for everyone. But should an MNO go under, what would we do?

We are looking to learn from other systems and trying to figure out the collaboration between the telecom regulators and central bank. Zambia is lucky because we don't have a dominant MNO. It is easier to engage when all the MNOs are about the same.

ABF: What is your perspective of regulations from the board of MicroCred Zimbabwe?

JM: From the financial service provider (FSP) board perspective, it is hard to get a sense of these types of regulatory challenges. By the time you have a board meeting, the CEO is presenting on what he wants to do in terms of technology and new products and has already sought regulatory approval. But it also doesn't seem like FSPs are really pushing the line in terms of product development. The products proposed are pretty standard, so it is pretty easy to get approval.

FSP boards spend more time dealing with the day-to-day issues of liquidity, so they are not having the important conversations about pushing new technology and the like.

I can say the reserve bank of Zimbabwe has been excellent! They are the easiest regulatory body to work with. They understand the need for investment and are great at responding.

ABF: What were your main take-aways from ABF?

JM: The two biggest ABF themes for me involved risk and technology. I am fascinated by risk. MicroCred makes [risk management] decisions centrally in Paris but those decisions are then executed locally in Zimbabwe. On technology, we had some issues migrating systems that impacted the balance sheet. Client information wasn't input well, and we missed the issue, so we had to go back. An awareness of technology issues is helpful. I recognized the need to hire an external person sometimes to better understand technology implementation.