

KATONDO

STREET JOURNAL

The Business Highway...

Weekly Economic and Financial Commentary

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Lusaka, Zambia

Cover Story

Diversifying Towards Business Tourism



Business and conference visitors account for over half of visitor arrivals. Yet, business tourism is hardly ever talked about.

See full story on page 3.

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News in brief

We have better national parks!

Monday, December 29, 2014

ACTING President Dr. Guy Scott was recently on holiday in the Lower Zambezi National Park and took time to talk to journalists about Zambia's tourism potential. Said Dr.



Scott: "Zambia's potential for tourism is far in excess of Zimbabwe, Botswana and even South Africa but we are just busy mining copper. We just have to keep our house in order. We need to get ourselves organised. We have better national parks so let us develop what we have".

BoZ Launches Islamic Banking Guidelines

Tuesday, December 30, 2014

BANK of Zambia Governor Dr. Michael Gondwe has launched the Islamic Finance Guidelines for Zambia. Speaking at Radisson Blu Hotel on Tuesday, Dr. Gondwe encouraged all financial institutions that intend to launch Islamic finance products and services to approach the Bank of Zambia.



ABC Upbeat about the Economy

Tuesday, December 30, 2014



FINANCE Minister Hon. Alexander B. Chikwanda (ABC) says economic growth has remained strong in 2014 with preliminary real GDP growth at 6 percent, driven by agriculture, manufacturing, construction, energy, transport, communication, and the financial sector. However, mining is expected to contract on account of operational challenges at some mines. Over the medium term, real GDP growth is expected to escalate to an average of 7 percent principally as a result of increased agriculture production, electricity generation, construction and growth in transport and communication.

Word From The Editor



Aisha Nalishebo

A blessed and Happy New Year to all!

We at KSJ in this new year 2015, are aiming to transform the way we Zambians view business and financial news.

It is about time that we highlighted the business yields from so-called mundane sectors to see how our approaches can be altered. Take Tourism as an example. When we think of Tourism we think recreation and relaxation first and foremost. Is that the only way we can market it to generate revenue in this sector? For our cover story, we explore business tourism.

In this edition we share our thoughts on the recent introduction of Islamic Banking in Zambia. Is it a progressive and appropriate way of conducting financial transactions in this non-Islamic country?

Lastly, with barely a week left before the start of the new school year, most of us have to deal with the headache of paying for our children's school fees. How can we achieve financial security to enable us educate our children with ease?

Who We Are

Katondo Street Journal (KSJ) is named after Katondo Street, a thoroughfare in the Central Business District of Lusaka.

What We Are About

At KSJ, we cover business and financial analytics in Zambia. We focus on the people, innovations and ideas behind Zambia's most dynamic and entrepreneurial companies. We also analyse business and financial data to inform decision making by business leaders.

Our tag-line **"The Business Highway"** provides a fast-paced route for businesses to showcase, network and grow.

Look out for the Katondo Street Journal hard copy version coming soon to a book store and supermarket near you.

KSJ's Weekly Economic & Financial Commentary is distributed to subscribers each Monday morning by e-mail and will soon be available on www.ksj.co.zm.

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Cover Story

Diversifying Towards Business Tourism



KENYA's Vice President William Ruto recently vacationed in Livingstone with his family, while Acting President Dr. Guy Scott spent his Christmas break in the Lower Zambezi National Park with his wife Dr. Charlotte Scott. Vice President Ruto hailed Zambia's wonderful tourism product and urged the country to maximize it for the benefit of the citizens, while Dr. Scott implored Zambians to take interest in tourism entrepreneurship and not leave the industry to foreigners.

Though tourism is touted as one of the priority sectors in the Sixth National Development Plan, Zambia has not exploited its competitive advantage. And, the economic contribution of the accommodation and food services activities industry – often used as a proxy for gauging the tourism sector – has remained stagnant, averaging a mere 0.3 percent in the period 2009-2013.

The country has continued to rely on Copper and copper-related industries as its mainstay. With the copper prices declining, this dependence should not continue much further. Russia is a perfect example of an economy that has relied on a single commodity – oil – to finance half of its budget. This has worked to its advantage over the years until mid-2014 when a sudden mass oil production worldwide sent the unit cost of oil plummeting to way below Russia's break-even point.

If Russia is too far-fetched as an illustration, let's look closer to home. In Nigeria their growth projections for 2015 were recently revised downwards to accommodate the slump in oil prices. Like Russia, Nigeria is equally oil-dependent. The possibility of Zambia entering a similar slump to that of Russia, Nigeria and other single-commodity-dependent countries is quite real.

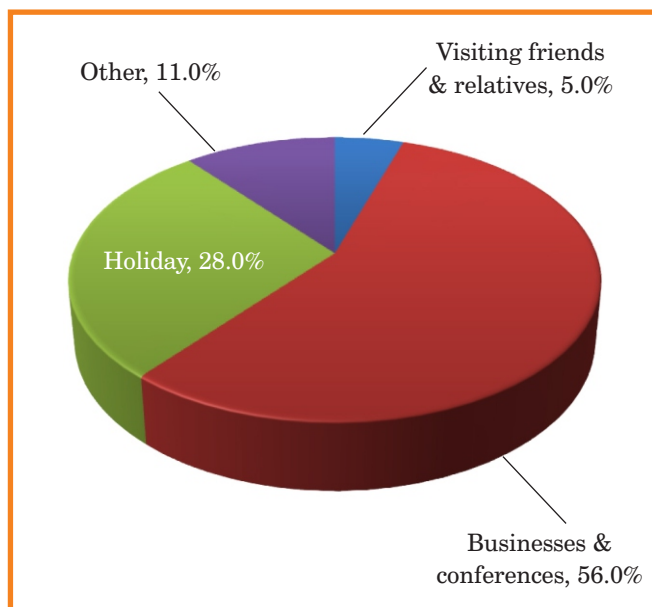
Why should we wait until this happens to re-strategize our revenue sources? One of the areas we could take advantage of is Tourism. The fact that the country is able to attract a leader from a well-known tourism country speaks volumes about how we can leverage on the products and services that we have to offer.

All these years Zambia has been known as the most peaceful country in Southern Africa. Vice President Ruto

comes from a country where tourism has been on the decline due to insecurity concerns, among other reasons. According to the Kenya National Bureau of Statistics third quarter 2014 GDP release, Accommodation and Restaurant service activities contracted by 14.6 percent compared to a contraction of 3.9 percent in the same period of 2013. Other than insecurity concerns, the contraction is attributable to negative advisories by some key tourist source countries and the perceived health risk in Kenya due to the country's geo-political location and connectivity with West Africa. This has continuously chipped away at Kenya's dominance as an East African tourism hub. Tourists may increasingly consider moving south – to the SADC region, our region.

Some of the highlights to attract potential tourists to Southern Africa are the pristine game reserves, nature excursions and various waterfalls. That means there is basically little product differentiation offered to tourists as each of the fifteen SADC countries has more or less similar highlights. Zambia therefore needs to focus on product differentiation.

An area that has been scarcely explored is Business Tourism. Of the 914,576 visitors in 2013, Business/conference visitors accounted for over half (56 percent) of the arrivals, while holiday visitors for just over one-quarter. It therefore makes sense to concentrate on the segment that brings in the most visitors.



Source: Ministry of Tourism and Arts, 2013 Tourism Statistics Digest

A large proportion of visitors to Zambia come from neighboring countries for the purpose of trading goods. On a smaller scale, there are long-haul business visitors related to the copper industry and donor community. Few of these

visitors engage in much leisure tourism but do spend money on accommodation and food/beverages.

With regard to conferences, the peace and stability we enjoy is enough to encourage business enthusiasts to hold large scale international gatherings, conferences and the like, here. The country hosted the Poverty Reduction and Equity Growth Network (PegNet) conference in September 2014 at Government Complex. The majority of the delegates were first-timers from Western Europe. The Zambia Development Agency in conjunction with Pangaea Securities hosted an International Investment Conference at which the main guest speaker was Sir Richard Branson, founder and Chairman of the Virgin Group of companies. The country also hosted the 4th Zambia International Mining and Energy Conference (ZIMEC) and the Commonwealth Magistrates and Judges Conference, among other conferences.



Delegates at the PEGNet Conference at Government Complex, September 2014

In 2015, about ten high profile international conferences are scheduled to be held mostly in Lusaka, Livingstone and Kitwe. These include the Agritech Expo in April, Southern African Banking and ICT Summit in April, the Mining Trade Expo in May and the 5th ZIMEC conference in June. However brilliant this may be, the lack of infrastructure to host multiple large-scale events, in addition to the unavailability of diversified accommodation, continue to hamper Zambia's chances of winning bids to be hosts.

Zambia's tourism sector, however, is dominated by small and medium sized operators that are not vertically integrated. Hence, they are largely reliant upon overseas providers for services such as representation, marketing and flights.

At the risk of sounding like a broken record, Zambia's centrality offers opportunities for stronger regional linkages. Bordered by eight other countries, Zambia is positioned at the heart of the region. In particular, the town of Livingstone – which, as well as being located next to the Victoria Falls, is close to the borders of Zimbabwe, Botswana and Namibia – offers significant potential for regional tourism circuits and joint marketing. The geographical location of the capital city, Lusaka, mid-way between the established airline hubs of Nairobi and Johannesburg, could also help Zambia benefit from established regional tourist circuits. But alas, I do sound like a broken record because

this has been said by numerous other commentators before.

Until Zambia translates the peace and stability into cash, until Zambia leverages on the visitors coming for business and conferences, until we harness our small scale tourism establishments and become vertically integrated, until we develop our tourism infrastructure to cater for large scale international events, and until we take advantage of the centrality of Lusaka and Livingstone... Zambia's business tourism potential will remain just that – potential.

My Two Cents... On Islamic Banking



Last week, Bank of Zambia Governor, Dr. Michael Gondwe, launched a framework for Islamic banking in Zambia. Just what is Islamic banking?

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of the Shari'ah (Islamic rulings) and its practical application through the development of Islamic economics. Shari'ah is the legal framework within which the public and some private aspects of life are regulated for those living in a legal system based on Islam.

The principles which emphasise moral and ethical values in all dealings have wide universal appeal. Shari'ah prohibits the payment or acceptance of interest charges (riba) for the lending and accepting of money, as well as carrying out trade and other activities that provide goods or services considered contrary to its principles. While these principles were used as the basis for a flourishing economy in earlier times, it is only in the late 20th century that a number of Islamic banks were formed to provide an alternative basis to Muslims although Islamic banking is not restricted to Muslims.

Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of Shari'ah, known as Fiqh al-Muamalat (Islamic rules on transactions). Islamic banking activities must be practiced consistent with the Shari'ah and its practical application through the development of Islamic economics. Many of these principles upon which Islamic banking is based are commonly accepted all over the world, for centuries rather than decades. These principles are not new but arguably, their original state has been altered over the centuries.

It is evident that Islamic finance was practiced predominantly in the Muslim world throughout the Middle Ages, fostering trade and business activities. In Spain and the Mediterranean and Baltic States, Islamic merchants became indispensable middlemen for trading activities. It is claimed that many concepts, techniques, and instruments of Islamic finance were later adopted by European financiers and businessmen.

The revival of Islamic banking coincided with the world-wide celebration of the advent of the 15th Century of Islamic calendar (Hijra) in 1976. At the same time financial resources of Muslims particularly those of the oil producing countries, received a boost due to rationalisation of the oil prices, which had hitherto been under the control of foreign oil corporations. These events led Muslims to strive to model their lives in accordance with the ethics and principles of Islam.

Disenchantment with the value neutral capitalist and socialist financial systems led not only Muslims but also others to look for ethical values in their financial dealings and in the West some financial organisations have opted for ethical operations.

Islamic banking is unique in the way that it helps individuals as well as businesses build tangible and appreciating assets for themselves. This not only leads to prosperity founded on a solid economic base, but also encourages the spirit of entrepreneurship amongst its customers. Islamic banks are based on the unique concept of profit and loss sharing with the customers by way of various Sharia-compliant financing and investment tools.

Islamic banks provide an opportunity to the individuals and the businesses to build various assets which contribute to the development of the economy. Apart from this, the Islamic banks encourage the investment process through adopting innovative Sharia structures in all spheres of the economy, except in a few activities which are considered unethical. Islamic banking is perhaps the only financial system to forbid the use of its finances or services for misleading, dishonourable, immoral and other purposes

that would be harmful to society. These include all forms of gambling, and firms dealing in pork or alcohol.

Due to their very nature of complying with the Sharia principles, the Islamic banks are forbidden from indulging in any such practice, which may prove harmful to a customer.

Islamic banking therefore offers a portfolio of innovative, Sharia-compliant financial models that formalize this unique arrangement between customers and the bank. These are Murabaha, Musharaka, Mudaraba, to name a few.

Murabaha is a simple form of sale and buy-back agreement. Here, the bank buys the house, car or other commodity and sells it to the buyer at a profit but allows them to pay in instalments. In this case, the profit margin should be clear, agreed upfront and reflect the bank's costs in providing the service.

Similarly, Musharakah describes a joint venture between a bank and business where the profits are divided according to their relative capital inputs. In this way, bank returns are tied to company profits and the partnership ends when the loan is repaid. This approach could be used to provide mortgage financing to buy a property. The property earns rent from the occupier which is paid to the buyer and the bank in relation to their share of the equity.

At the same time, the buyer agrees to buy the bank's share in instalment payments, so over time their equity increases and the bank's falls, until the mortgage principal is paid off.

Mudaraba is a profit sharing arrangement like a venture capital deal where the bank provides the finance and the borrower the labour and entrepreneurship. If the business were to fail, the lender loses their money and the borrower the time and effort committed to the enterprise.

Islamic banking has some challenges. Islamic banks tend to be much smaller than their conventional counterparts, making it hard to achieve economies of scale. There is also far less standardisation in the products available because of different interpretations between banks and jurisdictions of what is acceptable under shari'ah law. Islamic banking products are also more complex which adds to their cost.

The importance of face-to-face relationships means the branch network is important, but has resulted in an under-development of phone and internet banking. It remains to be seen how Islamic banking will operate in Zambia.

Word on the Street: Demystifying Katondo Street



“You look familiar”, said John Banda (not his real name), when I met him on Katondo Street. He looked like someone I had met before, but I could not place him.

Through a third party, I had arranged to meet John to give me the lowdown on the history of Katondo Street. We had arranged to meet in front of the Lusaka City Council library. No exact time was agreed upon because, as he said, he was not exactly sure what my motive was. He wasn't there when I arrived, armed with just pen and paper. I called him on his mobile phone and he said he was doing some transactions at Farmers' House, so he would meet me in the next 15 minutes. As I waited for him, I couldn't help but notice the predatory alertness of the men idling around Katondo Street. Being a newbie, the suspicious stares made me uneasy but I was determined to wait it out and get my interview and demystify perhaps the most infamous street in Zambia, known for shady fast dealings.

Some old men who knew my contact came and asked me

what exactly I wanted and they even tried to help me by divulging some answers. However each one left abruptly during their story-telling and stood at a distance. If I hadn't had my annual shower that morning, I would have thought they couldn't stand my body odour!

After ten minutes, John came – he was five minutes early. John is a seasoned second generation veteran trader who has been on Katondo Street since 1969. His family was originally from Kenya. After the usual exchange of pleasantries, I asked him why everyone looked at me suspiciously. He told me they were trying to figure me out, whether I was buying or selling, or whether I was a government 'spy'.

History of Katondo Street

Trading on Katondo Street actually started in the middle of Cairo Road, the main street in the Central Business District of the City of Lusaka, as a curios market.

“The curios business started about the time the trees currently lining the middle of Cairo Road were just knee-high” John quipped as he stooped and put his right hand on his knee to depict the height of the trees. The trees lining Cairo Road are now over 10 metres tall.

Curios were imported from East Africa, mostly from Kenya. Tourists would flock to the middle of Cairo Road and pay for the curios in foreign currencies. The curio traders amassed enough foreign currencies which they started selling to the Indian traders who needed it to finance their imports. Due to foreign exchange restrictions at the time, most of the traders slowly abandoned the curios business and went into the more lucrative foreign currency exchange market. This was the birth of the foreign currency 'black market', as it came to be known. As they were trading illegally, the traders were 'chased' from Cairo Road. So they moved to Lusaka Hotel. Due to the continued 'battles' with the authorities, they later moved to Kulima Tower, Stanley Bar and presently, they now occupy the whole stretch of Katondo Street. The foreign currency business thrived for decades until the liberalisation of the foreign currency market around 1994. This effectively got most of the traders out of business. Due to their resilience, the traders evolved and began trading in other commodities such as cars, phones, cameras and laptops.

“You said you have been on Katondo Street since 1969. Why that long?” I asked, as some of the people I talked to earlier came back and were trying to listen to our conversation.

John explained that Katondo Street can be likened to a commodities exchange market. Most of the traders do not do their actual transactions from Katondo Street, it just serves as a meeting point for transactions and for business networking. Over the years, he has built a large network of clients who, when they want to do business with him, would come to the street. If he does not come to Katondo Street, he would lose out on a lot of business and contacts. That is why he has been there that long, and feels part of the street. He has no kind words for the city authorities who put up a street sign that says “Katondo Road” instead of Katondo Street.

If you want to sell your laptop, for example, you approach one of the traders from Katondo Street who will find buyers for you. If, on the other hand, you want to buy something, anything, you would go to Katondo Street. While the relationships built with the traders are based on trust, trickery still exists especially with the newcomers. The older folk like John dare not risk losing their hard-earned reputation and business contacts. It is from Katondo Street that they have managed to finance their children's education, feed their families and diversify into other businesses. Most of the traders lining the street have

businesses elsewhere: they trade in motor vehicle spare parts, buying and selling of maize during the maize marketing season, etc. With no traders association, everyone trades individually.

“Now I remember you”, John said, with a twinkle in his eyes, after I finally jolted his memory by asking about a man who used to trade on Katondo Street some time back. “You came here once to play pool with your Ethiopian friend. About 10 years ago”. I could not believe how sharp the man's memory was. I last went to Katondo Street in 2005 or 2006, and, true to his word, I did play pool for a couple of hours, with a friend of mine who is Zambian but is always mistaken for an Ethiopian. To vividly remember a single incident that happened ten years ago is an amazing feat, a desirable trait for traders on Katondo Street.

Parallels with Wall Street

The history of Katondo Street has characteristics that mirror that of Wall Street in New York, USA when 24 men met under a buttonwood tree in 1792 and banded together through the 'Buttonwood Agreement' to control the securities trading. These men in New York had founded what was to become the New York Stock Exchange in 1817 which is located at 11 Wall Street in Lower Manhattan, New York. The New York Stock Exchange has become the world's largest stock exchange by market capitalization with average daily trading approximately US\$169 billion in 2013.













Unlike Wall Street, Katondo Street has neither cartels nor traders association – everyone trades individually. It remains an informal commodities exchange market. Had the traders on Katondo Street been as organized as those 24 men on Wall Street, things may have been different by now. We would perhaps have had a thriving and private-sector-led Katondo Stock Exchange, way before the Lusaka Stock Exchange came into existence in 1994, as well as banks and other financial intermediaries formed by the resilient street-smart and business savvy individuals who line Katondo Street.

Facts & Stats:

Zambia's Motor Vehicle Imports

About a third of Zambia's motor vehicle imports (in value terms) in 2013 came from South Africa. This was followed by imports from Japan, China and the United Kingdom. Collectively, the four countries accounted for 82.1 percent of the US\$889.2 million worth of motor vehicle imports.

Zambia Imports of Motor Vehicles, in US\$'000, 2013			
	Imports from Country	2013 Value (US\$'000)	Share
	South Africa	288,831.5	32.5%
	Japan	267,711.1	30.1%
	China	91,468.0	10.3%
	United Kingdom	82,195.7	9.2%
	USA	34,845.6	3.9%
	India	25,061.4	2.8%
	United Arab Emirates	15,509.7	1.7%
	Belgium	14,116.7	1.6%
	Germany	9,540.2	1.1%
	Sweden	8,260.7	0.9%
	Other	51,641.3	5.8%
	Total Imports	889,181.7	100.0%

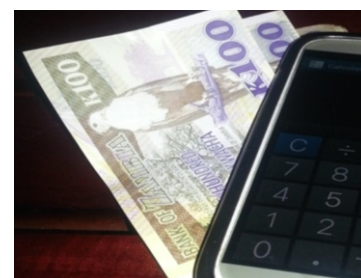
Source: World Bank, World Integrated Trade Statistics database, 2014

Perspective:

Oh, it's January again: Saving to beat the January School "Fee-ver"

Does the beginning of the school calendar bother you so much? If your answer to this question is yes, then one thing is true about you: you are in need of "financial security". This means that you fall in the category of people without an appropriate financial plan and enough financial resources to adequately cater for some of your needs or to support an expected standard of living now and in the foreseeable future. You are living in a hand-to-mouth consumption pattern. You are not alone in this situation, if that will be of comfort to you, although it shouldn't. This problem could be as a result of a poor savings culture on your part and for your

community as a whole. Generally, many Zambian communities have poor savings culture. According to the 2009 FinScope consumer survey, about 63% of Zambian adults do not use any financial products at all to manage their financial lives and 86% are unbanked. How then is an average Zambian



household living in a community without values to support saving expected to strike financial security?

Many Zambian households are already in a dilemma to find money to sponsor their children's school requirements as schools open on 12th January 2015. To illustrate this dilemma, I will by permission use an example of one of my friends, a medical doctor by profession who I will call Dr. Chalala. Dr. Chalala is married to a pharmacist and together they have 5 children: 1 in nursery, 3 in primary and 1 in secondary schools dotted around Lusaka. This working class couple has always struggled to meet the school requirements for their children under a "free education for all" policy framework. Their recourse has been debt with friends and banks alike. They are usually indebted for most of the first 6 months of the year. The positive thing here is that they are able to borrow and pay back, though with interest. Their social support system has also been good thus far.

It is very tempting to think that the situation that Dr. Chalala and his wife face when it comes to financing their children's education is normal and expected of a family with five children. If the Chalala household were to continue managing their children's education in this manner indefinitely, what do you think would happen to these children if any or both of these parents were to face an early rest from their life pilgrimages on earth? I am sure your thought is as good as mine.



The education of a child is not an undertaking that any parent should pursue in a happy-go-lucky manner. At global level, governments had to set a target to achieve Education for All by 2015. This is because they recognise that education is the primary determinant of development at both individual and national level. One key factor that will cause the convergence of opportunity for a Zambian child with that of a child from the developed world is quality education. Zambia has many schools that are capable of offering that kind of education with excellence. Some of these are private schools which are only accessible to individuals who are willing and able to pay a premium. The logical question then would be: how many households are able to afford a good schooling opportunity? Can the ordinary folks in less

lucrative jobs manage to educate their children especially if a medical doctor like Dr. Chalala and his pharmacist wife should struggle to finance their children's education?

Let us explore the available options by which households could finance their children's education. We will start with **debt**. It is not uncommon in the contemporary world to observe people sinking to the depth of debt especially in the developed world or poor people failing to meet the most basic of needs particularly in the third world countries like ours. In the developed world where access to finance is very high, personal debt has reached record high levels. In the UK for instance, average household debt excluding mortgages at the end of November 2013 stood at £6,016 - approximately K50,000. Debt gives an opportunity to spend your future income now but at a cost called interest. In addition to the interest, you also pay a fixed fee for the loan facility. The disadvantage with debt is that it comes with a financial as well as a psychological cost. The psychological cost is the dependency that many users tend to develop. The debt option also robs the households of an opportunity to start saving for the future.



The most defensible alternative to debt as a means of securing the education of a child is **saving**. Saving requires good planning and management of personal finances. If a household is to avoid a 'hand-to-mouth' consumption practice, some form of savings must be practiced starting from the earliest age of earning an income. This must start way before the child is even born, in the early stage of the accumulation phase of the financial lifecycle of an individual (20 – 29 years). Strange as this may read, that is the best way we can create financial security for our children's education. Without access to education and information on managing personal finances, many people do not know where to start financial planning from given their income constraints. I personally lost some of the opportunity of the early accumulations phase due to lack of knowledge and I have attempted to make an impressive recovery. We will revert back to the issue of saving in a little while.

Willed wealth is another opportunity that some people who are born with a silver spoon in their mouths could use. It must be understood however, that this is a result of the sacrifice made by others before us to save and create financial security for us and our children. There is no reason why we should not do the same as well.

The last option and perhaps the most common in the rural areas is **investment in the real sector**. The disadvantages of this kind of financial security planning include the substantial management requirements which may not suit the working class and liquidity management which is a common problem for real sector investment. In the rural areas again a pseudo-financial initiative that could be used to save for children's education called the village savings initiative has evolved to take care of the savings service gaps.

Let us now revert to the idea of saving and consider the conditions necessary for one to build up some savings. I will start by stating that except for willed wealth, all the other stated above options require fulfilment of a few basic conditions. Some of the conditions that must be met are (1) a clear dream/vision, (2) boldness to make tough decisions, and (3) self-restraint.

A clear vision is necessary to guide planning and decision making. Boldness is essential because some decisions that will ensure that we are able to attain financial security come with a lot of sacrifice and thus they are not easy. Self-restraint refers to the discipline required so that one does not for the easy route after a few months in the experience. The sacrifice of the immediate saving decision is unbearable when the ultimate is not envisioned; therefore a family person needs a clear vision for his/her family. With regards to debt, the associated legalities compel the debtor to considerably manage conditions 2 and 3, but still, the first condition is inevitable.

What are some of the practical ways that one can save for a child's education? In the formal channels, banks and insurance companies offer the most secure financial services. There are financial services tailored to meet the education needs of households ranging from ordinary savings accounts to micro insurance services. I must hasten to say though, that financial institutions in Zambia have demonstrated very little initiative in structuring fit for purpose financial products especially for education financing compared to other countries.

In the US for instance, there are several financial services that households could use to make it easier to save for their child's education. These are services which can be sponsored by states or institutions of higher learning, to encourage

saving for future college costs, and the earnings grow tax-free. There are two main types: "pre-paid tuition plans" where a child's college tuition can be paid based on today's costs and "college savings plans" which allow parents to invest money in several investment funds, ranging in risk level, to pay for a child's college education. Their concentration on private financing arrangements for college education is mainly because public education from kindergarten to high school is universally available, with control and funding coming from the state, local, and federal government .

I introduced Dr. Chalala and wife to a number of financing options that included baby endowment schemes offered by some of the local insurance companies. He was astonished to learn that such services existed. Without much delay, the couple signed up for a tertiary education endowment plan for the youngest two of their children. These products can be accessed for as little as K100 every month. Dr. Chalala and wife opted for the one that will endow their 2 children with K70, 000 and K50, 000 at their respective eighteenth birthdays, when they are expected to start their tertiary education. The endowments include the amounts saved plus interest earned. Of course, these endowments are computed in nominal values and they will be good for as long as certain macroeconomic fundamentals such as inflation and interest rates remain stable. The monthly contributions are about K280 on each plan. This couple can certainly afford this kind of saving.

The savings problem is not for households only. It is much a problem for the banking and non-bank financial institutions as well as government. Large educational financing gaps still exist and these require innovative individuals and institution to arise to the occasion and fill. Above all, consumer awareness creation and product innovation on the part of the providers require ramping-up. The product range must be tailored to cater for all consumer categories such as those intending to start a family, those with younger children and those with older children. There is a lot of opportunity for benefit on both consumer and the financial institutions in this. It is without doubt that households that start saving for their children early enough can enjoy financial security and will be able to educate their children with relative financial ease.

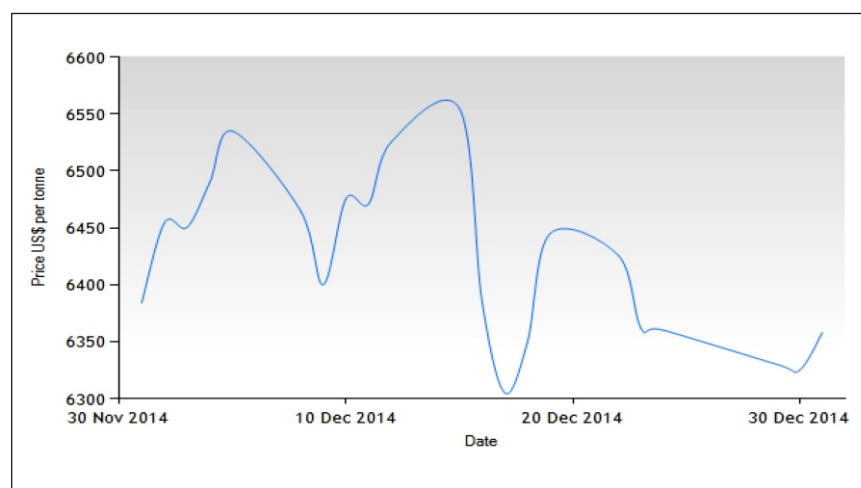
Market Data

Daily Average Exchange Rates, 29-31 December, 2014

Date	US DOLLAR			South African RAND		
	Buy	Sell	Mid	Buy	Sell	Mid
31 Dec 2014	6.3756	6.3956	6.3856	0.5516	0.5536	0.5526
30 Dec 2014	6.3664	6.3864	6.3764	0.5472	0.5493	0.5482
29 Dec 2014	6.3359	6.3559	6.3459	0.5454	0.5475	0.5464

Source: Bank of Zambia

Historical price graph for Copper, December 2014



Source: London Metal Exchange

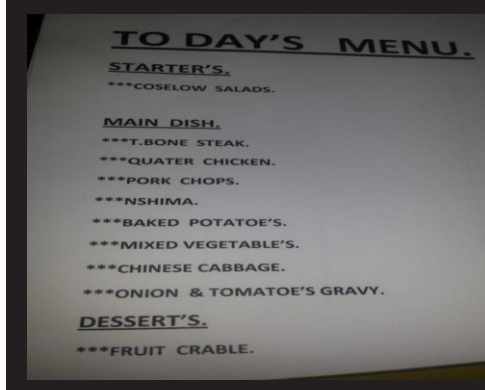
Lusaka Weather In The Week Ahead

	High	Low	Precipitation	Forecast
Mon Jan 5, 2015	21°	17°	24 mm	Cloudy with thundershowers
Tue Jan 6, 2015	23°	17°	29 mm	Cloudy with thundershowers
Wed Jan 7, 2015	22°	18°	10 mm	Cloudy with thundershowers
Thu Jan 8, 2015	24°	17°	18 mm	Cloudy, thunderstorms; humid
Fri Jan 9, 2015	24°	19°	19 mm	Cloudy, a couple of t-storms
Sat Jan 10, 2015	25°	18°	16 mm	Cloudy, thunderstorms; humid
Sun Jan 11, 2015	25°	18°	10 mm	Period of rain and a t-storm

UNNOTICED

MENU OF THE DAY

This was the menu at a leading lodge in Lusaka. If you are wondering what this 'exotic' menu is all about, 'Coselow' is 'Coleslaw' while 'Fruit crable' is actually 'Fruit crumble'. Despite the bad spelling (and the apostrophes!), the apple crumble tasted as good as you can get.



THE WEEK AHEAD

During the last two months, we have been subjected to election campaign promises by about a dozen political party leaders who want to take up the nation's top job after 20th January, 2015. However, most of these promises are thin on detail – how much they will cost, and where the money is going to come from. We attempt to make some estimates.