

Caleb M Fundanga: A brief look at corporate governance in Zambia

Speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the launch of corporate governance guidelines for banks and non-bank financial institutions, Lusaka, 28 November 2006.

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- ◆ The Chairperson of the Bankers Association of Zambia;
- ◆ The Chairperson of the Institute of Directors;
- ◆ The Chief Executive Officers of banks and non-bank financial institutions;
- ◆ Deputy Governors, Bank of Zambia;
- ◆ Representatives of Professional Bodies; Media Colleagues;
- ◆ Distinguished Invited Guests;
- ◆ Ladies and Gentlemen.

I wish to welcome you all to the launch of the corporate governance guidelines for banks and non-bank financial institutions, in particular, deposit taking non-bank financial institutions.

As you all may be aware, the recent debacle of corporate scandals has resulted in the resurgence of interest in good corporate governance. These scandals have not been restricted to large businesses in the US or Europe, but have surfaced in emerging economies as well, with equally devastating effects. This, together with concern about our environment and globalisation, has played an important role in this resurgence of interest in how companies are managed, directed and controlled.

Here in Zambia, the collapse of a number of banks in the mid-1990's has largely been attributed to poor corporate governance. Some characteristics of this included dominant key shareholders, poor transparency and inadequate disclosure. Consequently, the IMF/World Bank Financial Sector Assessment Program (FSAP) undertaken in 2002 revealed the need to enhance financial stability in Zambia by ensuring that the financial sector was adequately guided by corporate governance practices which conformed to international best practices.

Ladies and gentlemen, in order to guide this process, among other things, in 2004 the Government approved a comprehensive five-year Financial Sector Development Plan (FSDP) that positioned good corporate governance as one of the pillars for promoting financial system stability.

Today's launch, therefore, is a culmination of an extensive consultative process during which the Bank of Zambia engaged the banks and non-bank financial institutions, and other key stakeholders in round table discussions. Local auditing firms, the World Bank, IFC and the IMF also contributed immensely to the production of these guidelines.

In addition, the development of the guidelines took into account the standards set by the Basel Committee on Banking Supervision and the unique characteristics of the Zambian business environment within which institutions operate and the many valuable lessons we have learnt along the way.

The above notwithstanding, these guidelines only define the minimum standards that the Bank of Zambia expects banks and non-bank financial institutions to adhere to. Therefore, banks and non-bank financial institutions alike are expected to strive for the highest standards possible at all times.

Ladies and gentlemen, it should also be stressed that these guidelines are to be treated as a living document and thus subject to review to incorporate new developments as they emerge. To this end, the Bank of Zambia will ensure that the Committee that has been spearheading the development of these guidelines become a permanent one and meet every so often to make the necessary changes in an inclusive manner. Accordingly, you are all urged to forward any contributions you wish to make on an ongoing basis.

Ladies and gentlemen, allow me now to welcome and thank Mr Mervin King for graciously agreeing to officially launch the guidelines. Mr. King is internationally renowned for his work on corporate governance, and in particular for his work on the King Committee of South Africa which issued its first report in 1994. The King Report, along with the Cadbury Report of the United Kingdom and the Sarbanes-Oxley Act of the United States have become key references on the subject and it is for this reason that we feel both proud and honoured to have Mr. King with us today.

It is now my honour and privilege to call upon Mr. King to launch the Corporate Governance Guidelines.

Mr. King!