

Caleb M Fundanga: How the Bank of Zambia's policies are impacting Eastern Province developments

Remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Eastern Province Chamber of Commerce and Industry Open Meeting, Chipata, 17 January 2008.

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- The Chairman – Eastern Province Chamber of Commerce and Industry (EPCCI)
- Members of the Executive Committee – EPCCI
- EPCCI Members
- Invited Guests
- Ladies and Gentlemen

First and foremost, I must state that I am pleased to have finally made the trip to Eastern Province under the invitation of the EPCCI. The visit was planned for last year but due to other commitments I could not make it. In this regard, I made it a point to make sure that I visit the province before the end of the first quarter. I am happy that we have actualized our plans during the first month. It is our hope that we will also be able to visit other provincial towns off the line of rail during the course of the year.

Mr. Chairman, one may question what is the purpose of the Bank of Zambia to visit these outlying areas? The answer is simple and is drawn from our mission statement – which is “to formulate and implement monetary and supervisory policies that will ensure price and financial system stability”. Our visit is therefore, to enable us assess the extent to which our policies are impacting development in the Eastern Province. For a start, we can rightfully boast that as a country we have achieved single digit inflation for the second year in a row and we have had no financial institution failures in the recent past. These successes are the result of monetary and fiscal policies that have changed the economic landscape of Zambia. We have been fortunate that the successes have come at a time when we are seeing renewed economic interest in Zambia. Investments in mining and other sectors have significantly increased, and more importantly, the Eastern Province has not been left out.

Ladies and Gentlemen, we have been following the developments in Eastern Province with keen interest; hence our visit to see for ourselves what is going on. I must say that we are impressed with what we have been able to find out. It is clear that income levels have risen in the region and this has been driven by the boom in agriculture. This is an encouraging development. One of our primary concerns as policy makers is to ensure that development is not restricted or concentrated along the line of rail. We therefore urge you to use your enhanced income levels to invest in capital equipment so that your productive bases are sustainable.

As a country, we are blessed with land and water resources. However, it is only in the recent past that we are beginning to see the value of what we have through improved agricultural output. We have the capacity to become a regional breadbasket and this is something we must explore wholeheartedly. It is important to note that there are predictions of a looming worldwide shortage of grain. In Italy, the cost of wheat has increased significantly to the extent that, in protest, people boycotted eating pasta for a day. With our natural resources, this is an agricultural avenue that we ought to explore. However, I must hasten to state that concentrating on agriculture alone also bears a risk as it is prone to the vagaries of weather. So whilst we have been able to reap well in the past, we must also consider diversifying into other economic sectors.

Mr. Chairman, I have in mind sectors such as gemstone mining, tourism and manufacturing. The Luangwa region is said to be an area abundant with precious stones. However, we do not appear to have concerted efforts aimed at formalizing the process of explorations in this area. With regard to tourism, the Eastern Province has varied fauna as well as abundant

wildlife and thus has the potential to become a leading tourism zone. Furthermore, the Eastern Province provides a gateway to the export markets in Malawi and Mozambique. This presents an opportunity for the manufacturing industry to explore what goods and materials are on demand in the two countries. We know for a fact that a great deal of trade is already conducted with the two countries. The completion of the Mchinji Railway project must therefore be expeditiously dealt with.

As a country we need to seek more export ventures in terms of products and markets. It is important to note that by November 2007, year-to-date non-traditional exports had increased by 25.6% to US\$845.1 million from US\$672.7 million recorded during the corresponding period in 2006. Our statistics show that burley tobacco and cotton lint have had a significant contribution to the non-traditional export figures in the years 2005 and 2006 (although indications are that for the year 2007, the figures will be lower after farmers opted to plant maize given the lower prices offered for their tobacco and cotton produce).

Ladies and gentlemen, with the improved economic activity in Eastern Province, we have noted an increased demand for cash through the sub-chest run by Barclays Bank Zambia Plc. This has been exemplified by fewer deposits at the sub-chest each successive period. Our investigations have revealed that this is driven by the high intensity of cash transactions within the region, largely because very few people, particularly the small-scale farmers, have bank accounts. We implore you to encourage the use of non-cash payments for your transactions. It is not only a safer means of transacting but it also enables the authorities to keep track of the level of economic activity in the area. In this regard, we also ask that the commercial banks design products and services whose cost structures are suitable for the economic environment of the region. Financial institutions in general need to offer structured financing that best suits the Zambian economic landscape. It is only through such activities that we will see further developments in the whole Zambia rather than the few areas along the line of rail.

Mr. Chairman, ladies and gentlemen, we have come to Chipata not only to tell you what we expect of you but also to listen to what you expect of us. I therefore declare this meeting open and invite you to make your contributions.

I thank you!