

Caleb M Fundanga: Strengthening the Zambian banking sector

Address by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Commissioning and Official Opening of Access Bank (Zambia) Ltd, Lusaka, 24 September 2008.

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- H.E, Acting President of Republic of Zambia, Mr. Rupiah Banda M.P;
- Honourable Ministers;
- H.E Nigerian High Commissioner to Zambia;
- Access Bank Group Deputy Managing Director;
- Access Bank Zambia Chairman;
- Access Bank Zambia Managing Director;
- Distinguished guests;
- Ladies and Gentlemen.

I am greatly honoured to be given this opportunity to make brief remarks at this formal commissioning and opening of Access Bank (Zambia) Ltd. I wish to extend a warm welcome to all of you gathered here today, particularly those who have travelled from outside the country.

Your Excellency, Honourable Ministers, today's event is a crowning moment and demonstrates the fruits of the economic reforms that the Government has continued to implement in the financial sector in particular and the economy in general. Indeed it is a landmark achievement in the Government's concerted efforts aimed at attracting foreign investors. It is also gratifying to note that Access Bank Zambia Limited is the first bank to be registered in the country since 1999. I am also happy to inform you, Ladies and Gentlemen, that the Bank of Zambia is currently reviewing other applications for banking licenses. In this regard, we expect a few more banks to be registered in the near future.

This interest we are witnessing in the financial sector is due to the favourable economic environment that has been created in the last seven years. During this period, the economy has performed relatively well as reflected in the overall macroeconomic stability, which has been underpinned by sustained positive growth rates in the real Gross Domestic Product averaging over 5% in the last five years. I do hope that Access Bank Zambia, will play a special role in taking this growth to an even higher level.

In the financial sector, stability has continued to characterize the financial system with all banks being adequately capitalised and non-bank financial institutions performance being satisfactory. I am convinced that this stability, among other factors, will continue to contribute to the attraction of international investors such as Access Bank to invest in Zambia.

It is my hope that with new entrants in the banking sector, the provision of financial services to the public will become more competitive both in terms of the variety of services offered, efficiency and pricing. The need for provision of affordable banking services to the majority of our people can not be ever emphasised. Such services will greatly benefit our people and contribute positively to poverty reduction in the country.

As Access Bank ventures into full fledged business, I urge the bank's management to devise strategies that will contribute to Government's efforts of reducing the cost of borrowing and increasing the level of inclusiveness in the country. I also implore management to provide support to various sectors of the economy, especially the priority sectors of agriculture, tourism, manufacturing and small-scale mining to effectively contribute to the development of the country.

Ladies and Gentlemen, the introduction of the fourteenth bank in the banking sector will obviously come with its own challenges. For us at Bank of Zambia, this entails further strengthening of our supervisory capacity. We welcome this challenge and hope to rise to the

occasion by providing adequate supervisory infrastructure and an environment conducive to conducting good business.

In the past few years, the Bank has embarked on a process of strengthening its supervisory framework through various initiatives. One such initiative is the adoption of an enhanced risk-based approach to supervision (RBS). The enhanced RBS approach will entail more regular interaction with the banks than previously in order to understand and monitor activities and risks on a continuous basis. As part of the adoption of the enhanced RBS, the BoZ has formulated Risk Management Guidelines to banks which will serve as a minimum standard in their design and implementation of risk management frameworks, relative to their size and complexity.

Further, in 2006, the Bank issued Corporate Governance Guidelines to all Financial Service Providers. The guidelines set forth a broad framework of fundamental governance principles to guide the actions of directors and managers. This will strengthen governance in institutions and minimize the risk of bank failures as a result of bad governance.

Your Excellency, Honourable Ministers in order to insulate the financial system from external influences like the financial turmoil currently being experienced in some Western countries, the Bank has been working on a macro prudential approach to supervision of the financial system. Macro prudential analysis looks at the health of the underlying financial institutions in the system and performs stress tests and scenario analysis to help determine the system's sensitivity to economic shocks. This analysis also looks at macroeconomic data including GDP growth rates, inflation, interest rates, balance of payments, exchange rates, asset prices and the correlation of markets within the system.

Distinguished guests, I am advised that Access Bank comes with a bouquet of banking products and excellent services, aimed at enhancing the quality of lives of Zambians and the economy in general. I urge management to remain committed to ethical standards and see themselves as a Zambian bank because you are indeed a Zambian bank now. Based on our inquiries, the Bank has a strong heritage and history of performance that will positively contribute to the health of the financial sector in Zambia.

Your Excellency, Honourable Ministers, It is also exciting that the bank we are commissioning today is coming to Zambia in the context of pan-Africanism. This is an African bank investing in another African country, a demonstration of South to South cooperation. It is such investments that will accelerate the pace of the much needed economic integration in Africa. I am particularly pleased that the first Managing Director of Access Bank Zambia Limited is a Zambian who is vastly experienced in our financial sector.

Finally, as we witness the commissioning of the bank, I wish to warmly welcome Access Bank (Zambia) Ltd to the Zambian banking sector and wish them the best in their operations.

Thank you!