

Caleb M Fundanga: Strengthening Zambia's financial and private health sector

Remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Second Private Health Sector Trade Fair, Lusaka, 5 June 2009.

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The Chairperson, Banking on Health;
Representatives from the Medical Council of Zambia;
Representatives from The General Nursing Council;
Representatives from the Zambia Medical Association;
Members of the Zambia Union of Nurses Organisation;
Members of the Zambia Alliance of Private Health Providers;
Representatives from the Pharmaceuticals Society of Zambia;
Distinguished invited guests;
Ladies and Gentlemen.

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It is with great joy and gratitude that I stand to address you at this important Second Private Health Sector Trade Fair. This occasion brings together many of our esteemed medical providers from the private sector and other important stakeholders in the delivery of medical services in Zambia like financial institutions, pharmaceutical distributors, and other commercial suppliers who support the medical industry.

The Bank of Zambia as regulator of the financial system is committed to strengthening the financial sector and position it so that it is relevant to the country development agenda by providing finance to sectors like health and qualified private health providers. I believe this will lead to the improved quality of medical services provision in Zambia and contribute to the country's economic growth.

Distinguished Ladies and Gentlemen, the Bank of Zambia, recognizes the important role that the private sector continues to play in providing health services to much of Zambia's population. These service providers, whether they are doctors, nurses, midwives, clinical officers, dentists, or pharmacists offer their clients increased choices.

More choices in health provision allow people to find the best care for their own particular circumstance and needs. The expanded choices and reach provided by the private sector is a wonderful complement to the existing public health services.

Furthermore, the recent decision by the Zambian Government to designate Health and Education as economic sectors will undoubtedly, assist all investors in the health and education sectors. This entails that investors in these sectors can now enjoy the various incentives previously available only to investments in the real sector.

Chairperson, In order for the private health sector to truly flourish in Zambia, it is vital that the government provides an enabling environment that will ensure that private providers of health services can obtain the financing they need to expand and improve their medical practices. Most micro, small, and medium enterprise firms in Africa, including health businesses, only receive 5 percent of their financing through banks, while larger firms get 22 percent of their financing needs from banks. In Zambia, a recent survey on financial inclusiveness indicated that only about one third of the population is financially served by banks and non bank financial institutions. Barriers to access to credits identified included; high interest rates, caps on loans and excessive collateral requirements.

The importance of increasing access of banking services to a larger proportion of our population cannot be overemphasized. Financial services are a critical tool to help people step onto the economic growth ladder and create a brighter future by tapping their own creativity in creating jobs and incomes. It can also be instrumental for broader human development, by letting clients invest in themselves and seek protection from shocks and bad fortune.

It is however, gratifying to note that following the survey, commercial banks and other non-bank financial institutions in Zambia have increasingly become receptive to lending to small and medium-sized enterprises and have in this regard established departments dedicated to small and medium enterprise lending and introduced financial products specifically designed to meet the financing needs of these businesses. In working with Banking on Health, banks have shown interest in learning about the private health sector, a sector whose business characteristics were largely unknown to banks. However, banks can still misunderstand the risks, overestimate the costs, and underestimate the potential returns of lending to sectors, such as the health sector.

In addition to the structural barriers in the financial sector that limit access to finance, many private health care providers have limited financial and business-management skills and often struggle to prepare a bankable loan applications or business proposals. It is difficult for commercial banks to assess the credit risk of a loan without the financial statements and business plans to support the loan application.

Chairperson, I am happy to state that “Banking on Health”, with support from the U.S. Government, has worked to address some of the barriers to credit by providing market research information on the private medical sector to commercial banks and microfinance institutions so that they can understand the business characteristics of the sector.

The financial management training that Banking on Health provides to health businesses also lowers the risk of lending to these borrowers.

Ladies and Gentlemen, let me end by pointing out that the challenges arising from the global financial and economic crisis are huge but surmountable. Major economies of the world are putting in place various stimulus packages, which are expected to take the world economy out of the crisis. Without doubt, these measures will benefit emerging and developing economies as well, provided that we remain committed to pursuing strong socio-economic policies. Although the global financial crisis has negatively affected the Zambian economy in many respects and presents serious challenges to maintaining the health of the economy, macroeconomic stability has been maintained.

The Bank of Zambia has continued to monitor the global developments and take appropriate measures to maintain confidence in the banking system and avoid systemic risk. It is important to note that despite the crisis, there still remains investment confidence in the Zambian economy and one example of this is the number of new commercial banks that have commenced operations in Zambia in the last 12 months.

The Bank of Zambia is also committed to ensuring the availability of finance to viable businesses including qualified health businesses. Doing so will help create a foundation for greater investment in the health of the nation. We appreciate the partnership and initiatives such as the “Banking on Health” in extending health services in Zambia and look forward to greater investment in the health sector of Zambia.

I thank you.