

## **Bwalya K E Ng'andu: The National Strategy on Financial Education for Zambia**

Remarks by Dr Bwalya K E Ng'andu, Deputy Governor (Operations) of the Bank of Zambia, at the launch of the National Strategy on Financial Education for Zambia, Lusaka, 12 July 2012.

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***The Deputy Minister of Finance, Honourable Miles Sampa, M.P;***

***The Minister of Education, Honourable Dr. John Phiri, M.P;***

***The Chief Executive Officer of the Securities & Exchange Commission, Dr. Wala Chabala;***

***The Registrar, Pensions and Insurance Authority, Mr. Martin Libinga;***

***Your Excellencies, Heads and Representatives of Diplomatic Missions invited;***

***Senior Government and financial sector industry officials;***

***Distinguished Invited Guests;***

***Members of the Press;***

***Ladies and Gentlemen.***

***Honourable Ministers,*** I am delighted to welcome you, on behalf of the three financial sector regulators, i.e. the Securities and Exchange Commission, the Pensions and Insurance Authority and the Bank of Zambia, to the launching of the National Strategy on Financial Education for Zambia.

The launch is being done under the auspices of the Financial Sector Development Plan and represents a culmination of a wide range of activities which have been carried out within the scope of the Plan since 2002 with the objective of addressing challenges in the financial sector and strengthening and broadening access to financial services in Zambia.

The origins of the Financial Sector Development Plan (FSDP), the vehicle through which the strategy being launched today has been delivered can be traced back to the IMF and World Bank sponsored Financial Sector Assessment Programme studies and the Bank of Zambia Review which were conducted in 2002/3. Following these studies, the Bank of Zambia held various consultations with other financial sector regulators and industrial players to gain buy in and ownership of the proposals that had been recommended for implementation from these institutions.

Subsequently, the Government approved the establishment in 2004 of the Financial Sector Development Plan (FSDP) as the institution to deliver the required changes to the financial sector in the country. During the first phase of the programme between 2004 and 2009, the FSDP focused on updating financial laws and research and improving market knowledge of the financial sector landscape. In phase two between 2010 and 2012 focus has been on enhancing financial sector infrastructure which includes the establishment of a national switch, carrying out a law review exercise to modernise and harmonise financial sector laws and developing strategies for increasing competition among service providers so as to favourably influence the cost and quality of service delivery of financial services, increase access to financial services by developing a rural finance policy and strategy and lastly delivering effective financial education.

Notwithstanding the work done through the FSDP, the financial sector in Zambia still faces a number of major challenges. Access to financial services among the adult population is at 37.3%, the cost of accessing financial services is still high, the quality of financial service

delivery can do with some improvement and financial literacy remains low and presents an important factor in explaining the low level of financial inclusion that we see in the country today. The FSDP, Honourable Ministers, therefore, remains work in progress.

I would like, however, to mention some milestones which have been achieved under this programme in order to underscore its potential as a tool for transforming for the better, Zambia's financial sector landscape.

Under the FSDP, we have witnessed the establishment of the Credit Reference Bureau which is beginning to play an increasingly important role in helping financial institutions better manage credit risk, which in turn, should feed into less expensive credit. A draft rural finance policy and strategy aimed at improving finance to rural areas has also been completed and awaits implementation. Another important exercise accomplished has been the law review exercise which has reviewed all existing legislation in the financial sector with the view to modernise, harmonise them and ensure that the different legislations speak to each other rather conflict each other. Consequently, we will be submitting to Government amendments to various laws, including those in banking, insurance and the capital market.

Another significant accomplishment under the FSDP has been work done so far in formulating a national strategy for financial education. This initiative grew out of the recognition of the fact that financial institutions and certain NGOs that were engaged in promoting various financial education activities and programme were operating in isolation. What was clearly missing was a coherent and well-co-ordinated strategy among these organisations for delivering an effective education to enhance financial literacy and inclusion.

Consequently the FSDP identified the need to develop a coordinated approach to financial education as a meaningful way of bringing progress to this process. It therefore, started its intervention by commissioning a stock taking study of financial education efforts taking place in Zambia in order to establish its true status. DFID provided financial support in the form of technical assistance which enabled the FSDP to recruit FinMark Trust to carry out the study. Subsequently, a report was produced and presented to various stakeholders in November last year. The recommendations from the stakeholders meeting were then sent to the FSDP Steering Committee in April this year. This Committee endorsed the report and it is this report which is being launched today as the National Strategy on Financial Education for Zambia. Once launched, it will be implemented in earnest.

**Honourable Ministers**, the activities that have been carried out under this programme have been made possible by the very generous financial support extended throughout the different phases of the programme by the IMF, World Bank, DFID, SIDA and the Government of the Republic of Zambia. Of course the three regulators, BoZ, PIA, and SEC have also done their bit by seconding personnel to the FSDP Secretariat and taking responsibility for the financial obligations entailed. I want to thank all of them for their commitment and dedication.

It is now my singular honour and privilege to call upon the Deputy Minister of Finance, Honourable Miles Sampa, MP to formally launch the National Strategy on Financial Education for Zambia.

**Thank you.**