

## Caleb M Fundanga: The role and operations of the Bank of Zambia

Closing remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the end of the Bank of Zambia lecture series to members of the University of Zambia Business and Economics Association (UNZABECA), Lusaka, 24 November 2004.

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Chairperson  
Bank of Zambia Directors  
Members of UNZABECA  
Distinguished Ladies and Gentlemen

As we come to the end of the series of lectures presented by the Bank of Zambia, it is my sincere hope that UNZABECA members have now gained a better understanding and appreciation of central banking, in general, and the role and operations of the Bank of Zambia, in particular.

Ladies and Gentlemen, as it has been amply explained during the course of the Lecture Series, I would also like to reiterate that a central bank plays a critical role in the monetary and financial operations of any country. Through these Lectures, you have learned that the primary responsibility of a central bank includes, among others:

- issuance of currency;
- acts as banker to the Government;
- banker to commercial banks;
- management of a country's foreign exchange reserves;
- lender of last resort;
- management of public debt. Although some central banks do not carry such responsibilities;
- collection and interpretation of statistics, in particular, financial and monetary statistics; and
- implementation of monetary and financial systems policies.

Through these Lecture Series, which have successfully ended today, it has been highlighted that the central bank, like the rest of the economy, adapts to changes in the market environment. In the case of the Bank of Zambia, prior to 1991, the Bank had numerous roles, including the promotion of economic growth through the provision of credit to critical sectors such as agriculture, manufacturing, mining, etc, as well as issuance of export guarantees to exporters. As expected, the multiplicity of functions led to conflict of interest. For instance, on one hand, the Bank was expected to control the growth of money supply while, on the other hand, it was required to inject money into the system through the provision of credit to the selected sectors.

The introduction of economic reforms by the Government beginning the end of 1991 therefore brought about enormous challenges for the Bank of Zambia. To meet the new challenges, the Bank's operations needed to be more focused. In this respect, the Bank of Zambia Act was amended in 1996 to reflect the changed nature of the operating environment. By amending the Act, the Bank's primary role was solely *"to formulate and implement monetary and supervisory policies that will ensure the maintenance of price and financial system stability"*.

This was deliberate, as experience world-over has shown that you can only achieve sustained and high economic growth in an economic environment characterised by low and stable inflation. Thus, by working to ensure price stability as well as maintenance of a safe, sound and efficient financial sector, the Bank is contributing to the achievement of sustainable economic growth and, ultimately, poverty reduction.

In a nutshell, following the amendment of the Bank of Zambia Act in 1996, the Bank's main responsibilities comprise price and financial system stability. The Bank ensures financial system stability by licensing, supervising and regulating the activities of banks and non-bank financial institutions so as to promote the safe, sound and efficient operations and development of the financial system.

Ladies and Gentlemen, I trust that, as members of UNZABECA, you have actively participated in these series of lectures and expanded your knowledge of the functions of the Bank of Zambia. On our part as Bank of Zambia, we strongly encourage investment in education, which has been demonstrated by the sponsorship of these Lectures. In this regard, I wish to take this opportunity to call upon other institutions to support our university by either sponsoring a series of lectures, like the Bank of Zambia has done, or rendering any financial assistance. As many of you may be aware, most of the companies in Zambia have benefited, in one way or the other, from the services offered by our universities. As for the Bank of Zambia, most of its management members of staff, including myself, are graduates of this university and were members of UNZABECA.

Therefore, as a token of their appreciation to UNZABECA, they have made a generous donation in the sum of K9.5 million. This donation, I hope, will go a long way in supporting UNZABECA programmes. However, may I caution you to manage these funds prudently and ensure that they are applied towards the attainment of the intended UNZABECA objectives. Please, do not be wasteful now that UNZABECA coffers are liquid!

In conclusion, as Patron of UNZABECA, I look forward to being involved in UNZABECA activities. In this regard, I undertake to promote your activities, at any slightest opportunity, to other institutions, which would benefit from your services.

With these few remarks, it is now my honour and privilege to declare the Bank of Zambia UNZABECA Lecture Series officially closed.

I thank you.