

## Caleb M Fundanga: Strengthening and promoting the Zambian private sector

Speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Celtel Loan Signing Ceremony, Lusaka, 12 December 2006.

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Managing Director, Celtel Zambia plc  
Senior Government officials present  
Chief Executives Officers of commercial banks and other financial institutions present  
Management and staff of Celtel Zambia plc  
Members of the Press  
Distinguished invited guests  
Ladies and gentlemen

It gives me great pleasure to join you today at this celebratory event for the Celtel Zambia plc USD105 million 5-year, two-tranche, local and foreign currency syndicated term loan facility. Undoubtedly this event marks a high-point for all those working at strengthening and promoting the Zambian private sector. In this regard, this event clearly unveils and in so doing reveals the hitherto relatively unknown sophistication and ability of the Zambian private sector and surely the coming of age of our nascent banking and financial services sector.

**Ladies and gentlemen**, it is gratifying to observe that the facility we are celebrating today was initially launched as a USD70 million facility but was subsequently raised to USD105 million following significant oversubscription. It is equally gratifying that of the USD105 million, USD86 million or 82 per cent was raised in Zambian Kwacha primarily from Zambian commercial banks with some participation from international development finance institutions. This is a demonstration of the growing confidence in both Zambian corporate borrowers and business climate by both domestic and international banks.

As Bank of Zambia, we believe that the recent economic developments, such as, the attainment of single digit inflation for the first time in three decades in April 2006 and sustaining low-level inflation for nearly three consecutive quarters so far to November 2006 are supportive of this initiative. These developments also indicate that Zambia is able to rally foreign private capital to improve the domestic financing limitations and support efforts of encouraging faster economic growth, private sector investment and exploitation of the country's huge potential in various sectors.

**Ladies and gentlemen**, we also believe that events such as this complement the outcomes of Government's economic reform agenda which in part is aimed at strengthening our country's creditworthiness as demonstrated by the attainment of the enhanced Highly Indebted Poor Countries Initiative (HIPC) completion point in April 2005.

**Ladies and gentlemen**, please allow me to elaborate. In order to strengthen and sustain our new status as a creditworthy economy following the attainment of the HIPC completion point, the Bank of Zambia, together with Government, is working on ensuring that our institutional arrangements are supportive of keeping the global investor audience, amongst others, informed about domestic economic developments transparently and on an ongoing basis. For instance, we believe that obtaining a formal sovereign credit rating would help us build part of the necessary institutional arrangements of keeping all stakeholders informed. Much in the same way, the Zambian private sector in general and Celtel Zambia plc in particular has the challenge of opening up to creditworthiness scrutiny and withstanding world-class due diligence by recognising and upholding good corporate governance norms of transparency, accountability and fairness. We are also aware that a formal sovereign credit rating undertaken by international credit rating agencies would not only further open up Zambia to global financial markets but also permit the appropriate reflection of our sovereign creditworthiness or risk premium in private sector financial dealings, which we believe is currently much better than generally held by both domestic and offshore market participants. In other words a good sovereign rating would improve the terms and conditions of international financial dealings for the Zambian private sector and businesses which could also be passed on to consumers in terms of affordable pricing and improved product quality.

**Ladies and gentlemen**, today's event therefore is an opportunity for honest introspection, though, this time not about the potential of our economy but about our own private and collective resolve of translating this potential into jobs, incomes and a quality life for all. We all need to recognise and

understand that our commitment to upholding good corporate governance practices in both the public and private sectors and the resultant confidence and trust of our citizens, customers and clients be it in Government policies or private sector goods and services is inescapable for the long term health of both our society and businesses. In short, good governance works and we should all simply try it!

In conclusion therefore, I would like on behalf of Bank of Zambia and indeed on my own behalf to commend the Zambian commercial banks, international banks and development finance institutions that have participated in this syndication. This is not only testimony of their confidence in Celtel Zambia plc but confidence in the Zambian people and the economy as well.

I thank you.