

Caleb M Fundanga: Zambia's Financial Sector Development Plan

Welcome remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Financial Sector Development Plan (FSDP) Phase II Consultative Meeting, Lusaka, 20 October 2009.

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- The Honourable Minister of Finance and National Planning;
- The FSDP Steering Committee Chairman & Secretary to the Treasury;
- Co-operating partners;
- Chief Executive Officers and Representatives from Banks and Non Bank Financial Institutions;
- Distinguished Invited Guests;
- Ladies and Gentlemen.

It gives me great pleasure, on behalf of the Bank of Zambia, to welcome you all to the Financial Sector Development Plan (FSDP) Phase II Stakeholders' Consultative Meeting.

Honourable Minister, this very important forum is a demonstration of the recognition, by Government and various stakeholders, of the strategic importance of the financial sector to the country's development and poverty reduction efforts.

Distinguished invited guests, there are a number of strategies currently being implemented by both the private and public sectors to make the financial sector more inclusive, thereby increasing the benefits for the average citizen to participate in the formal economy.

The Financial Sector Development Plan is one such Government initiative. The FSDP was aimed at realising the vision of a financial system that is sound, stable and market-based and one that supports efficient resource mobilisation necessary for economic diversification and sustainable growth.

Ladies and Gentlemen, various countries have established specific programmes to strengthen their financial sectors. In the United Kingdom for instance, there is a Financial Inclusion Taskforce which is an independent body appointed to advise Her Majesty's Treasury and to monitor and evaluate progress on its financial inclusion as well as oversee a 120 Million Pounds Financial inclusion Fund.

A platform for collaboration between local governments and the financial institutions in the UK has been established in order to ensure that everyone has access to financial services and that such inclusion corresponds with the needs of local economic development.

In other parts of Europe, the offer of basic banking accounts typically lies at the heart of many countries' efforts to increase financial inclusion and they are a common feature of economic policy in Europe.

In Asia, this matter has also been dealt with in various ways. In India, the Reserve Bank of India issued guidelines (in 2006) by which banks are encouraged to enhance the level of financial inclusion in their areas of operation in a time-bound manner. In Malaysia, a Financial Sector Blueprint (2001-2010) has been used to guide interventions in the financial sector.

However, financial inclusion is not an end in itself. Having a bank account, or an insurance coverage, does not mean an enhancement in the economic position or well being of a person. *But it acts as a facilitator.*

In Zambia, following the launch in 2004 of the Financial Sector Development Plan (FSDP), a lot of work has been undertaken in addressing the weaknesses in the Zambian financial sector, including the level of financial access.

Some ground-breaking market studies that have helped characterise both the demand and supply side issues peculiar to the Zambian financial sector have been undertaken.

Most of you will be aware of the 2005 FinScope study findings which showed that only 33% of Zambia's adult population had access to any formal or informal financial service or product.

Arising from this, Government in collaboration with cooperating partners developed a performance assessment framework, under which a target of at least 50% by end-2009 has been set for the level of financial access. The findings of the on-going follow up Survey, whose results are due to be finalized by the end of this year, will give us an indication of the direction and level of access today.

Honourable Minister, Distinguished Ladies and Gentlemen, before the end of FSDP Phase I, which ran from July 2004 to June 2009, it became quite apparent that a number of challenges and recommendations would arise which would not be possible to implement within the initial five year period approved by Cabinet in 2004.

In addition, there were new developments, coupled with key recommendations from the second Financial Sector Assessment Programme (FSAP) of 2008, which required to be incorporated into the FSDP.

Therefore, the second phase is envisaged to deal with longer-term issues pertaining to the overall strengthening of the legal framework for the financial system. It is for this reason that we are gathered here today as stakeholders to share information on the progress to date and to adopt a strategic implementation framework for the work that remains to be done.

Distinguished Guests, the tremendous support of the various stakeholders to the agenda of the FSDP cannot go unnoticed. The technical and financial support provided by a number of our development partners, including the Swedish Government, the World Bank, IMF, DFID, the United States Treasury and FIRST Initiative have gone a long way in slowly but surely making this vision a reality. The Bank of Zambia and the Government are, therefore, most indebted to our cooperating partners for helping us build capacity in our financial sector.

Honourable Minister, the support of stakeholders from financial and other institutions on the various working groups has also been instrumental in facilitating the implementation of various FSDP activities. Further, the coordinating role of the FSDP Secretariat, anchored by the Bank of Zambia, has been key to the implementation of the FSDP.

For this reason, we at the Bank of Zambia hope that the same level of technical, financial, material and morale support will be accorded to Phase II of the programme by all stakeholders.

Ladies and Gentlemen, in recognising the critical role played by various stakeholders represented here, the work of the FSDP has, by design, taken a consultative approach in the identification of priority areas, formulation of strategies and the design of implementation frameworks. It is for this reason that the Bank of Zambia has all the confidence that today's consultative meeting will help advance the agenda for the second phase of the FSDP.

This forum therefore, brings together the FSDP secretariat, development partners and key stakeholders to discuss the Phase II document and render support, financial and otherwise, to the process as well as facilitate consensus building for the extension of the FSDP to December 2012.

During this meeting, the FSDP Secretariat will update stakeholders on the progress to-date as well as outstanding issues and new developments since 2004. The FSDP Secretariat is further expected to highlight some of the key recommendations that were made in the recent Financial Sector Assessment Programme (FSAP) and highlight proposals made by the working groups.

Furthermore, representatives of Government and cooperating partners will also be at liberty to provide their comments on the programme's achievements and the policy direction going forward.

Finally, it is our view at the Bank of Zambia that the FSDP provides a unique opportunity to enhance contribution of our financial sector to economic growth & poverty reduction as well as deepening and modernising our financial system. However, the ability to move forward will depend on our collective support to achieve the Vision of the FSDP.

It is therefore our expectation that this meeting will facilitate consensus among stakeholders on the way forward and update cooperating partners on the need for their continued support of the programme through direct financial support or technical assistance.

Chairperson, it is now my pleasure to invite the Secretary to the Treasury who is also the Chairman of the FSDP Steering Committee to give us a few remarks before we call upon the Guest of Honour, to give us his keynote address and to officially open this forum.