

Tukiya Kankasa-Mabula: Stakeholder's workshop on the draft Bank of Zambia Act

Opening remarks by Dr Tukiya Kankasa-Mabula, Deputy Governor of the Bank of Zambia, at the Stakeholder's Workshop on the Draft Bank of Zambia Act, Lusaka, 21 September 2010.

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***Chief Executive Officers and Representatives of Stakeholder Institutions;
Distinguished Invited Guests;
Directors and Staff of the Bank of Zambia;
Members of the Press;
Ladies and Gentlemen.***

On behalf of the Bank of Zambia, and indeed on my own behalf, I welcome you to this workshop which is entitled "the Stakeholder's Workshop on the Draft Bank of Zambia Act".

As the name rightly suggests, it is a workshop facilitating the meeting of minds of key stakeholders affected by the Bank of Zambia Act. On the one hand we have those administering the Act, the Bank of Zambia representatives and on the other hand those whose operations stand to be affected by the administration of the Act, the Financial Service Providers. We have also cast the net wide to include other key stakeholders such as Government ministries, other regulatory entities and professional bodies representing lawyers, accountants and economists.

The Bank of Zambia is charged with the responsibility of formulating and implementing monetary and supervisory policies that achieve and maintain price stability and promote financial system stability in the Republic of Zambia. To give you a brief background on the central bank legislation, since its inception in 1964 the Bank has operated under 3 different Bank of Zambia Acts; ***the BoZ Act of 1965, the BoZ Act of 1985*** and the current ***BoZ Act of 1996***. Each of these Acts has responded to the era of its time.

For example, the Acts of 1965 and 1985 were characterised by high Government involvement in the operations of the Bank. The Bank administered exchange control regulations. It also determined and regulated the frequency and rates of fees, commissions and interest rates etc charged by financial institutions.

The economic reforms that swept the country in the 1990's saw the ushering in of the current BoZ Act of 1996 which supported the Government's free market policies. The Bank's mandate was made clearer, exchange control regulations were suspended and the Bank's regulation of interest rates etc was removed. There was also improved transparency and accountability.

Since the enactment of the BoZ Act of 1996 two issues have precipitated the need to have the Act reviewed again;

1. In 2002, the IMF and the World Bank conducted a joint assessment of Zambia's financial sector under the Financial Sector Assessment Programme (FSAP). The result of this assessment raised awareness of various weaknesses in our financial system which needed to be addressed. For this purposes, the Government approved the establishment of the Financial Sector Development Plan (FSDP) in 2004 to address these weaknesses and implement recommendations. One of the recommendations adopted was the need to modernise and harmonise financial sector legislation. This included the current Bank of Zambia Act.
2. Secondly under Southern African Development Community (SADC), the SADC Committee for Central Bank Governors (CCBG) was tasked to develop harmonised

Encouraged by these two events, the Bank of Zambia embarked on a process of reforming and modernising its legislation. In doing so we relied heavily on the provisions of the Model Law but were mindful that these had to relate to our local circumstances.

This exercise has resulted in a “**home grown**” draft Bank of Zambia Act which is the subject of this workshop. We are pleased to report that the draft has incorporated principles of international best practice. Some of the salient features of the Act, as can be read in the Consultative Paper prepared for this workshop are:

- provisions to strengthen the legal basis, ownership and structure of Bank of Zambia as a modern central bank, as well as its primary objective;
- provisions relating to adequate power and independence;
- provisions relating to all aspects of the relationship between the Bank and Government structures;
- institutional arrangements of the Bank including the appointment of governors, directors and auditors, internal budgets, reporting requirements, preservation of confidentiality and handling of possible offences;
- adequate mechanisms for good governance and security of tenure for Governors;
- measures to better manage and application of monetary policies, including the role of lender-of-last-resort, interest rate policies, exchange rate policies and Bank of Zambia’s involvement in money and foreign exchange markets;
- creation of a Monetary Policy Committee; and
- accountability to Government, Parliament and the Public.

By tabling this draft Act before you the Stakeholders, the Bank of Zambia wants to maximise its consultative process by taking into account your views on this layman’s draft. We encourage constructive debate and assure you that your views will be taken into account before the draft is transmitted to our parent ministry, the Ministry of Finance and National Planning. The Ministry is responsible for initiating the legislative process that shall see this layman’s draft transformed into a Bill and tabled before Parliament for debate.

Therefore, I call upon all participants to openly debate this draft Act and share opinions which the Bank can benefit from in its effort to develop a comprehensive law.

With these words, I declare this Stakeholders Workshop open and wish you a fruitful debate.

I thank you.