

Caleb M Fundanga: The Financial Sector Development Plan

Welcome remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Financial Sector Development Plan (FSDP) National Financial Education Strategy Consultative Workshop, Lusaka, 20 October 2010.

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The Guest of Honour, Honourable Situmbeko Musokotwane, Minister of Finance and National Planning M.P.;

The FSDP Steering Committee Chairman & Secretary to the Treasury, Mr. Likolo Ndalamei;

Distinguished Excellencies;

Co-operating partners;

Chief Executive Officers and Representatives from Banks and Non-bank Financial Institutions;

FSDP Working Group Chairpersons and Vice Chairpersons;

Distinguished Invited Guests;

Members of the Press;

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) National Financial Education Stakeholders' Consultative Workshop.

Honourable Minister, this very important workshop comes at the time when the FSDP is gearing up to implement many of its activities under phase II which the Government approved earlier this year.

As you are aware, one of the activities identified under the FSDP II is the development of a national financial education strategy for Zambia. Let me hasten to say, financial education needs in Zambia are many and varied. They stem from inadequate understanding, by a good proportion of the population, of basic financial terms and concepts on the one hand, and a lack of knowledge of financial products and services that are increasingly available, on the other.

At the moment, there is no structured response to address the financial education needs in Zambia. There are currently some financial educational programmes being conducted by financial institutions, including the Bank of Zambia, but these are generally limited in scope and are not being implemented in a coordinated manner. These un-coordinated initiatives leave gaps that can properly be addressed through the development and implementation of a cohesive financial education strategy.

Ladies and gentlemen, with this realization, the Bank of Zambia, with financial assistance from the Financial Education Fund under the United Kingdom Department For International Development (DFID), is taking the leadership role in identifying and developing a national financial education strategy that will be cohesive for the country.

As the formulation of both the first and second phases of the FSDP was done through a national stakeholder consultative process, we have taken a similar approach in the development of our national strategy on financial literacy. The FSDP process has already built a wide network of stakeholders, and a platform of institutional and individual membership through its working groups and committees which can take this agenda forward. We believe that the multi-stakeholder consultative process is a critical component of the strategy.

Distinguished Guests, let me give you a few examples of how the consultative process has shaped the success of financial literacy strategies in other countries.

In the United Kingdom, the country's national strategy is led by the Financial Services Authority. The implementation of this strategy is funded through levies on the financial

services industry and through partnership programmes with a range of stakeholders, including financial services providers. There appears to have been little contestation of the strategy, with broad support from the industry, the Treasury and other stakeholders.

In South Africa, the Financial Services Board (FSB), the regulator for non-bank, non-credit financial services, has developed and championed two national strategies; a strategy developed in 2001 and a revised version in 2008. The 2001 strategy received limited support from stakeholders and the FSB revised it in 2008. However, the revised strategy did not receive much support and is currently under review.

Contestation of the South African strategies arose mainly from the fact that the FSB is not the regulator for the banking sector, and banks were against having their activities regulated through a non-bank regulator. Contestation also came from civil society organizations and other regulators, in particular, the credit regulator.

Ghana has had an approved strategy for financial literacy and consumer education since January 2009. In the first attempt, largely consultant driven, it appears there was insufficient stakeholder buy-in. However, in the second process which was driven through the Ghana Micro-Finance Institutions network, there appears to have been sufficient stakeholder buy-in, and in due course, the Ministry of Finance accepted responsibility for the strategy and has been tasked with its implementation. I am informed that there is a resource person from Ghana who will be able to shed more light on this matter.

In New Zealand, the development of the financial literacy strategy was led by the Retirement Commission which was mandated by a broader group at a symposium on financial literacy. There appears to have been no contestation by other regulators, possibly because there was high level involvement.

The examples I have outlined above indicate how successful or otherwise the strategy development process can be. However, a common feature for successful strategy development among all the above processes is the multi-partner consultative process.

Mr. Chairman, in recognising the critical role played by various stakeholders, the Bank of Zambia believes that a multi-partner stakeholder process is the most appropriate for Zambia, as it would enable greater mobilization of stakeholders and resources for the promotion of financial literacy in the country. The Bank of Zambia, will therefore, provide the initial leadership but it will be critical for all stakeholders to support, and buy-in into the strategy development process.

Ladies and Gentlemen, the tremendous support of the various stakeholders to the agenda of the FSDP cannot go un-noticed. The technical and financial support provided by a number of our development partners including the Swedish Government, the Finnish Government, the World Bank, IMF, DFID, the United States Treasury and First Initiative, and now the Financial Education Fund have gone a long way in slowly making this vision a reality. The Bank of Zambia and the Government are, therefore, most grateful to our cooperating partners for helping us build capacity in our financial sector.

Honourable Minister, it is also our view that the FSDP provides a unique opportunity through its structures, operating on the principle of private-public partnership, to take responsibility for overseeing the development of the financial education strategy for Zambia. One of the key issues that this partnership should help address is achieving consensus on resource requirements for implementing financial education programmes and agreeing suitable funding models that can generate a stream of resources to support sustained provision of financial education over the long-term.

Ladies and Gentlemen, It is now my pleasure to call upon the Guest of Honour, to give us his key note address and to officially open this workshop.

Honourable Minister Sir.