

Michael Gondwe: Supervision of non-banks and microfinance institutions

Remarks by Dr Michael Gondwe, Governor of the Bank of Zambia, at the opening ceremony of the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) regional workshop on “Supervision of non-banks and microfinance institutions”, Lusaka, 8 April 2013.

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***The MEFMI Programme Officer,
Distinguished Resource Persons,
MEFMI Staff,
Participants,
Ladies and gentlemen,***

It gives me great pleasure to officiate at this workshop on Supervision of Non-Bank Financial Institutions and Microfinance organised by the Financial Sector Management Programme of MEFMI.

May I take this opportunity, on behalf of MEFMI and on my own behalf, to welcome you all to this important workshop and, in particular, to welcome you to Lusaka. I urge you to make some time to visit and sample some of the beautiful spots that our city and country has to offer.

I also wish to welcome and thank our distinguished resource persons Mr. Japheth Katto from Capital Markets Authority of Uganda, Mr. Nkosilathi Moyo from World Vision here in Zambia, Mrs. Rachel Mushosho from the Reserve Bank of Zimbabwe and Mr. Kagisanyo Kelobang from the African Development Bank (AfDB) in Tunis for accepting invitations to present at this workshop and hope that their participation will enrich the deliberations of this workshop as well as increase the knowledge of the participants.

Ladies and gentlemen,

Non-bank financial institutions are a significant component of the financial sector as their assets constitute a significant proportion of the total financial sector assets in most countries in the region. Similarly, microfinance institutions play a critical role in poverty alleviation and economic empowerment of marginalized communities in our region. As such these institutions are systemically important as they can exacerbate the fragility of the financial system particularly where there is lack of effective regulation.

Over the past few years, we have seen a trend where these institutions have increased in numbers in our region; some have been established as part of financial conglomerates while others are on a standalone basis. Sadly, our supervisory and regulatory structures for this sector in the MEFMI region have remained rather incoherent and somewhat underdeveloped to handle the challenges that have been identified with this sector. The trend makes it more important than ever for supervisors in the region to get together and talk about matters of common interest.

I am pleased to note that over the past few years, the region has taken a proactive stance towards promoting harmonisation of regulatory and supervisory frameworks and the integration of financial systems. Through MEFMI, SADC, COMESA, the East African Community (EAC) and the West African bloc, member central banks are working together to promote effective supervisory standards geared towards achieving long term goals of financial inclusion and financial stability.

Ladies and gentlemen,

I note with gratitude that this workshop is designed to address supervisory standards in the non-bank and microfinance sector through three main themes, namely;

- i) regulatory structures,
- ii) international trends and standards, and
- iii) integration of non-banks into the formal sector.

These are all very important and topical issues and allow me to talk a little bit more about one of these themes – the development of regulatory structures. First, while there is a definite role for international standards for regulation of this sector, it is very important that they are implemented in a way that takes into account the individual circumstances of each country. Secondly, the standards we adopt should in the end not impede financial sector inclusion. We need to balance this in order to achieve our overall objective which is a sound and efficient financial system.

Ladies and gentlemen,

It is important not to assume that supervisory arrangements should be, or can be, the same in every country. They must be tailored to the individual circumstances of each country. As an example, what is appropriate for Namibia may be totally inappropriate for another country like Uganda, and vice versa. However, there are likely to be common characteristics that cut across and can enable us all to learn from each other. I do not wish to prescribe what you should talk about throughout this workshop, but I am hopeful that what I have mentioned above can form some discussion points in the deliberations of this workshop. It is also my desire that as you travel back to your respective countries, you would have learnt something you can implement to improve our respective financial systems.

In conclusion, as financial markets become increasingly globalised, supervisory co-operation and harmonisation become increasingly important. Organisations such as MEFMI play an important role in developing capacity in the identified areas of macroeconomic and financial sector management.

Ladies and gentlemen,

Allow me to commend MEFMI which has been in the fore front of building sustainable capacity in financial supervision in the sub-region. It has shown the cause for fostering best practices, raising awareness and helping us to improve our processes especially in this area of financial stability in the region in general.

Finally, I hope that you will find this workshop stimulating and that you will enjoy your stay in Zambia. With these remarks, I **declare** this workshop **officially open**.

I Thank you.