

Michael Gondwe: Economic and financial sector developments in Zambia

Speech by Dr Michael Gondwe, Governor of the Bank of Zambia, at the official launch of the Zambia National Commercial Bank Limited (Zanaco) Ndola West Branch, Ndola, 27 June 2013.

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The Managing Director, Zanaco

Members of the Executive Management Team

Members of the Press

Distinguished invited Guests

Ladies and Gentlemen

Let me begin by tendering apologies on behalf of the Governor of the Bank of Zambia, Dr. Michael Gondwe who is not able to be with us this evening as he is attending to other commitments. He however requested that I represent him at this important occasion. It is therefore my honor and privilege to officiate at this important occasion to launch the new Ndola west Branch of Zambia National Commercial Bank Limited. I am told that the Branch was initially on Maina Soko Road opposite Barclays Bank and that the bank decided to move here because the place is bigger, which I believe will provide a better and spacious environment.

Distinguished Guests, the Bank of Zambia is reliably informed that since the inception of the bank more than 37 years ago, Zanaco has grown its customer base to over 640,000 and has grown its network of branches and agencies to 64, in addition to the branch being launched today, 53 Zanaco Xpress offices and 26 Zanaco agents. The bank has also invested in more than 162 ATMs and 465 Merchant POS terminals. This development demonstrates the bank's strong and long term commitment to be a significant player and contributor to the development of our financial sector, and the growth of the economy as a whole. The Bank of Zambia wishes to commend the Board of the Bank, Managing Director and his Team for these commendable developments.

Ladies and Gentlemen, you will no doubt be aware of the crucial role that banks play in financial intermediation. The real challenge therefore is for all financial sector players to play their honest part in enhancing savings mobilization and to effectively channel the public's savings to support financing of viable economic activities. as our economy continues to grow and per capita incomes increase, demand for financial services from both the corporate sector and the general public will continue to grow rapidly. Therefore, Zanaco's wide branch network will strengthen its capacity to meet this growing demand for financial services.

Managing Director, Distinguished invited Guests, Ladies and Gentlemen, the Bank of Zambia is always pleased to be invited to occasions such as the one we are witnessing today, because it gives us an opportunity to share with you and the public some of the key developments that are taking place in our financial sector and the economy at large. In this regard allow me to say something about what is currently the most topical issue not only in the financial sector but in the national economy as a whole. This is Statutory Instrument 32 now revised and re-named SI 55 on the Monitoring of Balance of Payments.

Ladies and Gentlemen, as the name of the SI suggests, the aim is to "monitor" and not to "control". There has been much public debate on this subject matter which seems to suggest a public misunderstanding of the intentions of the SI. Some quarters have gone so far as to link the issuance of SI 55 to the earlier issued SI33 as amended through SI78 (Currency Regulations) and concluded that Government is introducing exchange controls.

Managing Director, Distinguished invited Guests, Ladies and Gentlemen, allow me to clarify that SI33 was issued with the primary intention of reinforcing the use of Kwacha, which legal tender, for all domestic transactions. This is in line with practice in most countries around the world. The SI has is no way intended to stifle business. The initial Monitoring of Balance of Payments regulations were initially issued under SI 32. When the Government issued SI 32, Bank of Zambia embarked on an exercise to seek the views of the financial system players, the business community and the public at large. Arising from these stakeholder engagements, it became clear that some of the provisions of SI 32 would impede the smooth flow of business. It was also evident that the timeframe within which stakeholders were supposed to prepare for the implementation of the SI was not adequate. The Bank of Zambia therefore compiled all the stakeholder inputs and comments and submitted proposed amendments to Government.

Managing Director, I am glad to report that Government responded favorably to the submissions made and have today re-issued the regulations as SI 55, incorporating the majority of the proposed amendments. As you may be well aware, Government extended the date of implementation of the SI to 1st July 2013 from the initial 16th May 2013. I now urge all stakeholders to read the new regulations carefully and make appropriate representations where need arises. The commercial banks in particular will play a critical role in giving guidance to their customers on the Regulations. The SI has already been posted to the Bank of Zambia website which can be accessed from www.boz.zm. Allow me to reiterate that the intention of the Balance of Payments regulations are merely to monitor the flow of funds in and out of the republic with the ultimate aim to provide more accurate data to facilitate decision making on the national economy.

Managing Director, The Bank of Zambia will continue to implement and monitor various regulatory measures aimed at enhancing the operations of the banking sector and efficiency in the wider economy and remains committed to support all efforts to reduce the cost of doing business in Zambia.

Distinguished Ladies and Gentlemen, allow me to conclude my remarks by reminding commercial banks that they must become proactive in identifying new markets and developing appropriate new products and services, especially for the excluded population if they have to remain competitive and relevant in our fast growing banking sector. As has been echoed at various meetings, the Bank of Zambia has financial inclusion as one of its strategic objectives and initiatives by market players to make this vision a reality are always highly commended. The Bank of Zambia will play its own role and make every effort to create an environment that supports innovation and market developments by financial institutions.

Managing Director, distinguished Ladies and Gentlemen, It is therefore, the Bank of Zambia's expectation that Zanaco and other banks will take advantage of opportunities arising from the general positive economic outlook on account of improving macroeconomic conditions and improvements so far recorded in various sectors of the economy and foster greater developments in the financial sector. Finally, let me extend my gratitude to the Board of Directors and the Managing Director of Zanaco inviting me on this occasion to mark the official launch the Ndola west Branch.

It now my honour and privilege to declare the Ndola west Branch officially opened.

I thank you.