

Michael Gondwe: Facilitating trade and building economies on the African continent

Opening remarks by Dr Michael Gondwe, Governor of the Bank of Zambia, at the African Trade Insurance Agency Workshop for Bankers, Lusaka, 10 September 2013.

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The Secretary General of COMESA, H.E Sindiso Ngwenya;

The Director General of Zambia Development Agency, Mr Andrew Chipwende;

The ATI Chief Investor Relations Manager, Mr Cyprien Sakubu;

The Representative for Zambia, Mr Pizzaro Lukhanda;

Resource Persons;

Distinguished Invited Guests;

Members of the Press;

Ladies and Gentlemen.

It is my honour and privilege to be amongst you all this morning. I wish to express my appreciation to the African Trade Insurance Agency for extending an invitation to me to deliver a keynote address on this important Workshop.

Let me begin by commending the African Trade and Insurance Agency (ATI) for the important role they continue to play in facilitating trade not only in this Country but in the entire Region and indeed the Continent at large. I am no stranger to the role that ATI plays in helping to build economies in the countries that it operates as I have been a client and a supporter of ATI's products and services in particular in my previous life as Head of the PTA Bank.

I have seen first-hand, the impact that ATI has had in many countries, including in Zambia, where ATI has facilitated trade and investments worth more than \$925 million since its inception. I am further informed that ATI has so far this year supported Zambian companies and businesses by offering insurance cover to some very large and essential projects primarily in the energy, mining, manufacturing and agriculture sectors valued at over \$726 million. The Agency has also continued to assist many African countries by facilitating foreign direct investments with its political risk insurance that protects investors.

Ladies and Gentlemen, the role that trade plays in the economic growth and development of a Country cannot be emphasised. There are many regions and countries of the world that have been able to lift their peoples from poverty to prosperity through trade. However, although Africa in general and Zambia in particular has an economy which is characterized by a relatively high degree of openness, trade has not been utilized to an extent of achieving rapid and sustainable economic development necessary to eliminate poverty.

This failure for trade to serve as a catalyst for sustainable economic development could be attributed in part to the nature of Africa's export trade which is heavily concentrated on primary commodities that are characterized by relatively slow growth, price instability and long-term deterioration of terms of trade. The need for African countries and Zambia in particular to participate in the dynamic sectors of global trade such as manufactures and services cannot be over-emphasised. Some analysts have attributed this lack of

trade in service and manufacturing sectors to lack of competitiveness and products that insurer the exporter against any unforeseen losses.

The demonstration by ATI of their credit risk insurance products in this workshop will therefore, play a very important role in promoting trade and exports of Non-Traditional Exports which lead to a diversified economy, job creation and sustainable economic growth. The credit risk insurance products also spur trade within Africa by helping our local companies to become more competitive through increased access to credit facilities. ATI has therefore, truly had a significant impact in Africa, which is reflected in the over \$10 billion worth of trade and investments it has attracted into the continent over the past decade.

Distinguished Guests, Ladies and Gentlemen, as you are aware, staying competitive is what all companies strive to do. Innovation plays a key role in this equation. I am therefore elated that this morning ATI will speak about how it is providing innovative products and services to better suit the needs of banks and financial institutions. I am confident that the strategic partnerships of local banks and ATI will provide an opportunity for growth in credit particularly to the Small and Medium Enterprises which face major challenges in the trade sector. The Bank of Zambia therefore welcomes this Workshop as it bodes well with our strategic objective of increasing access to financial services to 50% of the population by 2015 from the current level of 37.3%.

As I conclude, I want to assure ATI that the proposal for the Bank of Zambia and all Central Banks in the COMESA Region to relax the capital reserve rules, by considering applying a lower risk weight on transactions that banks and financial institutions have insured with ATI is receiving active consideration within the organs of the COMESA Central Bank Governors. Let me commend ATI for coming up with this innovative initiative which seeks to deepen our financial markets.

Finally, I challenge all of you this morning, especially participants from commercial banks to explore ways on how you can improve your products and services to better serve the entire Zambian population with the products that ATI will present to you this morning.

Distinguished Guests, Ladies and Gentlemen, it is now my pleasure to declare the African Trade Insurance Agency's workshop for bankers officially opened and I wish you fruitful deliberations.

I thank you for your attention.