



**BANK *Of* ZAMBIA**

**AFRICAN DEVELOPMENT BANK/AFRICA FINANCIAL  
MARKETS INITIATIVE ANNUAL CONFERENCE**

***THEME: “ENHANCING TRANSPARENCY IN AFRICAN BOND  
MARKETS”***

**SPEECH BY**

**DR. DENNY H. KALYALYA  
GOVERNOR – BANK OF ZAMBIA**

**MONDAY, 29<sup>th</sup> OCTOBER 2018**

**LIVINGSTONE, ZAMBIA**

**AFRICAN DEVELOPMENT BANK/AFRICA FINANCIAL MARKETS INITIATIVE ANNUAL CONFERENCE, SPEECH BY DR. DENNY H. KALYALYA, GOVERNOR – BANK OF ZAMBIA – 29 OCTOBER 2018**

**The Honourable Minister of Finance, Ms. Margaret Mwanakatwe, MP;**  
**His Worship the Mayor of Livingstone, Mr. Eugene Mapuwo;**  
**The District Commissioner, Ms. Harriet Kawina;**  
**The Country Manager-African Development Bank (AfDB), Ms. Mary Monyau;**  
**Directors – Bank of Zambia;**  
**The Director - Department of Financial Sector Development- AfDB;**  
**The Director- Regional Integration – AfDB;**  
**Distinguished Invited guests;**  
**Members of the Media;**  
**Ladies and Gentlemen.**

I am particularly excited that the African Development Bank approached the Bank of Zambia to co-host the 7<sup>th</sup> edition of this event, especially that it has come after Zambia’s addition to the African Development Bank (AfDB/AFMISM) Bloomberg® African Bond Index (ABABI) in 2017, and the recent launch of the Africa Domestic Bond Fund by the African Development Bank.

**Ladies and Gentlemen,** allow me therefore to welcome you to Livingstone, especially to our colleagues from other countries, and to the 2018 Annual workshop of the African Financial Markets Initiative (AFMI) of the African Development Bank.

The theme for this year’s Workshop, **“ENHANCING TRANSPARENCY IN AFRICAN BOND MARKETS”**, is particularly important given the role the bond

markets continue to play in domestic resource mobilization for sovereigns and corporates in African countries. Transparency is important as it facilitates timely availability of necessary market information needed by investors to make better informed decisions. Equally important, it helps to reduce transaction costs and to bring about improved market confidence, which in turn potentially leads to increased investor participation and improved market liquidity. Enhancing transparency in our bond markets would therefore enable us to reap more benefits.

While there has been great leaps in the development of capital markets in Africa, there remains a gap in the intermediation role of African capital markets as domestic pools of funds from pension and insurance companies continue to see major growth. Therefore, more needs to be done to improve financial infrastructure and make Africa's capital markets more attractive, in areas such as cross-border listings, settlements, and payments for transactions.

The availability of deep and liquid capital markets capable of attracting and retaining domestic and international investors is especially important at this time when African governments and corporates still have a huge need to mobilize funding for infrastructure development.

According to the 2017 PricewaterhouseCoopers (PwC) Africa Capital Markets Watch Report, non-local currency debt raised by African countries and supranational organizations hit a five-year high in 2017. This is a clear indication of the big appetite for debt financing in African governments by international investors.

Over the past five years, up to \$128.1 billion debt transactions have taken place by African issuers on international markets, of which 85% was denominated in US

dollars. Sovereign and supranational issues accounted for 75% of the total value raised.

I am also proud to say that the African Development Bank registered a K2.7 billion *medium term note programme* with the Securities Exchange Commission (SEC), in Lusaka Zambia, which was approved by the SEC Board on 17th July 2013.

**Ladies and Gentlemen**, the ability to attract frontier and emerging market investors to invest in African debt market issues in local currency will go a long way in deepening African bond markets. In addition, it will serve as a source of funding to governments and corporates for investments in critical sectors, including road infrastructure, power, education, health and renewable energy. Furthermore, it will also serve as a good investment opportunity to the business community.

We are no doubt aware of some of the factors that are said to be standing in the way of international investors investing in local currency debts issued on African bond markets. These include sovereign risks, currency risks, and lack of credible data about Africa's bond markets. Therefore, programmes, such as, the African Financial Markets Initiative are important contributors to improved transparency and availability of relevant and credible data on African debt markets.

It is my hope that the discussions at this workshop will proffer solutions to the other challenges in attracting investors into local currency bond markets in Africa.

Lastly, but no means the least, the Bank of Zambia is committed to support the development of African financial markets by creating the right environment that will foster investors' confidence and economic growth. The Bank of Zambia is also

devoted to the development of a vibrant secondary market. A few years ago, the Bank made an undertaking to revamp and install a vibrant secondary market for Government securities. A number of recommendations were in this regard adopted, including the need to create a conducive environment for introducing a Primary Dealership System in Government securities, introducing a bond consolidation programme, re-opening of Government bonds, removal of withholding tax and medical levy, as well as allowing of short selling of securities.

I am happy to report that Government has responded to some of these important reforms. In 2016, the Government removed withholding tax on the discount income on Government bonds. More recently, the Bank has finalised the design of the Primary Dealership System and the project has reached an advanced stage where we are receiving applications from commercial banks intending to become Primary Dealers. The Primary Dealership System is expected to go live in the first quarter of 2019.

**Ladies and Gentlemen,** as I end I wish all participants fruitful discussions as well as a pleasant stay in Livingstone. To our international guests, we hope you will find time to sample some of the tourist sites Livingstone has to offer, including the Mighty Victoria Falls.

It is now my honour and privilege to call upon our Minister of Finance to officially open this conference. Honourable Minister!

Thank you and God bless you all.