

CENTRAL BANK OF KENYA



REMARKS

BY

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GOVERNOR
CENTRAL BANK OF KENYA AND CHAIRMAN OF THE
ALLIANCE FOR FINANCIAL INCLUSION STEERING
COMMITTEE**

at the

**LAUNCH OF THE GLOBAL PARTNERSHIP FOR
FINANCIAL INCLUSION**

*Seoul, Korea
10th December 2010*

Her Royal Highness Princess Maxima, the U.N. Secretary General's Special Advocate for Inclusive Finance for Development;

Mr. Il SaKong, Chairman, Presidential Committee for the G20 Seoul Summit;

Mr. Yongbeom Kim, Director General, Presidential Committee for the G20 Seoul Summit;

Mr. Robert Christen, Director, Financial Services for the Poor, Bill and Melinda Gates Foundation;

Mr. Janamitra Devan, Vice President, World Bank;

Dr. Alfred Hannig, Executive Director, Alliance for Financial Inclusion;

Mr. Tilman Ehrbeck, Chief Executive Officer, CGAP;

Distinguished Guests;

Ladies and Gentlemen:

It is my distinct honor and pleasure to have been accorded this opportunity by the Presidential Committee for the G20 Seoul Summit to deliver some remarks as a non G20 representative. This is an honor for the Central Bank of Kenya and indeed, Kenya. I am also delighted to be associated with one of the implementing partners for the Global Partnership for Financial Inclusion (GPII), as the Chair of the Steering Committee of the Alliance for Financial Inclusion (AFI).

Financial Inclusion lies at the core of the Central Bank of Kenya's reform agenda to support Kenya's development blueprint, Vision 2030. The blueprint seeks to drive Kenya to be a middle income country by 2030. Underpinning the Vision is a target to increase the savings rate from 14 percent to over 25 percent of GDP and investments from 20 percent to over 35 percent. The challenge for the Central Bank of Kenya is to develop the financial market that can support these targets. We believe financial inclusion for individuals and SMEs is the answer. For this to succeed, financial services must be provided cost effectively and in locations needed.

This philosophy has seen the Central Bank support and facilitate a roll out of the mobile phone money transfer service three and a half years ago that has so far led to over 15 million Kenyans being integrated into the financial system. Recent innovations by the Central Bank to support financial inclusion include; the introduction of agent banking; licensing of deposit taking microfinance institutions and credit reference bureaus to provide for information capital and improve on the collateral technology in use. Indeed we have cherished the idea of reducing costs that will continue to lower barriers to financial access. These barriers stretch from physical distances to ledger fees and information search costs.

These are the pillars that AFI stands for and we have learnt a lot from AFI. The AFI network has adopted a peer learning and knowledge exchange approach that has underpinned the design and roll out of these innovations. The Central Bank of Kenya, therefore welcomes the establishment and the policy directions of the GPMI and is delighted to serve the GPMI as a non G20 country partner to share its vision and lessons, as well as to benefit from global experiences.

Mainstreaming of the Financial Inclusion Agenda

Today's launch of the GPMI marks a milestone in the mainstreaming of financial inclusion in the global development agenda. It is commendable that the G20 leaders at the recent Seoul Summit delivered their commitment to the Financial Inclusion Action Plan, the GPMI and a flexible SME Finance Framework. This commitment is aimed at promoting financial inclusion particularly for poor households and small and medium enterprises.

Ladies and Gentlemen: It is not a contestable fact that a significant proportion of the global populace does not access formal financial services. Therefore, this "bottom billion" of the population continues to languish in abject poverty and deplorable living conditions. Access to finance for the poor is imperative if they are to free themselves from these shackles. Empirical evidence demonstrates the need for the poor to access safe havens for their savings that will support their drive toward asset accumulation and consumption smoothing.

This will also provide them with protection against the shocks they are so vulnerable to due to the fact that majority of the poor live in very hostile environments. The SMEs as well continue to be inhibited by financial exclusion and prevented from unleashing their potential in their production processes.

The intrinsic Siamese linkage between financial inclusion and economic development has challenged the philosophy of governments, regulators and other policymakers in developing countries. Regulators have previously rolled out stringent regulatory frameworks that have stifled innovation. However in recent years, developing countries' regulators have increasingly embraced a developmental role to create an enabling environment to facilitate provision of affordable, safe and convenient financial services to the unbanked. They have promoted the idea of better regulation.

This should be a system capable of identifying any emerging vulnerabilities, provide space for markets to innovate and also provide a set of incentives to encourage order and prudent behavior in the market. This approach has seen the successful roll out and uptake of mobile phone financial services in Kenya and the Philippines in recent years. These approaches have informed the development of the principles of innovative financial inclusion and the AFI platform continues to share them among the developing economies.

AFI and Its Facilitating Role

Pushing forward the global financial inclusion frontiers requires partnerships on a grand scale. This has been demonstrated by the rapid success of AFI only formally launched in September 2009 in Nairobi, Kenya. The network of financial inclusion policymakers from over 50 developing countries has in its short period of existence demonstrated the potency of information sharing and exchange. Knowledge exchanges by AFI members on agent banking in Brazil, Mexico and Colombia, mobile phone financial services in Kenya and the Philippines and consumer protection in Malaysia have fast-tracked development of financial inclusion policies in AFI member countries.

I am sure that the GPMI will serve as a highly effective platform unfolding the convening power of the G20 and encouraging the G20 and non G20 members together to take global financial inclusion to the next and higher level.

AFI is well positioned as a clearing house of working solutions and their applications and showcasing in developing countries, in particular for developing economies. This position allows AFI to facilitate their valuable experiences in driving access to finance for the poor through smart policies. The experience so far has shown their dramatic revolution in the financial markets and the impact they have on the poor.

The GPMI's Role in Financial Inclusion

Ladies and Gentlemen: The GPMI's proposed role of implementation of the Principles for Innovative Financial Inclusion will target; on strengthening financial inclusion data measurement and developing methodologies for national financial inclusion targets. These targets have been arrived at following a very consultative process. It is imperative that the continued consultations as the GPMI is implemented will deliver the desired results for G20 fora in future.

The GPMI presents a potential market place of sharing financial inclusion knowledge and resources not just amongst G20 members but also in the wider non G20 community. This becomes a higher platform to pivot on; share valuable lessons and to drive financial inclusion at the global level. The partnership is a welcome addition to this agenda particularly to co-ordinate cross cutting financial inclusion activities and mobilize technical and financial resources.

In closing, let me once again express my gratitude at the honor bestowed on Kenya by being invited to be a part of the landmark launch of the GPMI. The Central Bank of Kenya and AFI will continue to work closely together in the framework of the GPMI with the aim of further unfolding the power of knowledge sharing and peer learning. I look forward to the deliberations today and the successful roll out of the GPMI.

Thank You