REMARKS BY MR. HENRY K. ROTICH, CABINET SECRETARY FOR THE NATIONAL TREASURY, DURING THE LAUNCH OF THE CENTRAL BANK OF KENYA GOLDEN JUBILEE CELEBRATIONS HELD ONFRIDAY, 25TH SEPTEMBER 2015, AT THE CROWNE PLAZA NAIROBI.

The Chairman of the Board of directors of the CBK,
The Governor of the CBK,
Deputy Governors,
CBK staff,
Distinguished guest,
Ladies and Gentlemen:

It is indeed my great pleasure to be here to launch the activities that will culminate in the celebrations of the Central Bank of Kenya's 50th anniversary.

I am informed that the celebrations will take place across country, and they will culminate in the main celebration in September next year at CBK Headquarters here in Nairobi.

Fifty years is a major milestone for an institution, as it is for an individual. For those of you who have clocked that number know too well the feeling.

As we celebrate the many festivities that are lined up, let us also use the occasion to pause and look back at this fifty year journey. And, of course, take a moment to look ahead at the mountains we must still climb.

So today we pay homage to the founding fathers that helped set up this great institution.

In the coming months we will reflect on how their contributions have shaped the Bank that we know today.

We salute all the key players and Governors who served the Bank with dedication. In particular, we salute those who served at the formative stages, which usually are not so easy.

As a result of their tenacity, the Central Bank of Kenya was born on September 26, 1966.

I am told it was a very modest beginning, with about 60 staff, headquartered at the present day Herufi House and authorized capital of Ksh 26 million.

A modest but important beginning. Many people have played an important role for the Bank to reach where it is now. Now over 1,400 staff and Ksh 5 billion capital.

So, today let us pay tribute to previous governors (8 of them), two of whom we honour in their memory. We also want to pay tribute to the Management and staff who have loyally served the Institution over the years. Some are no longer with us, and let us join hands in remembering them all.

When the Central Bank of Kenya was born, Kenya had just obtained self rule. As a newly independent country, there were high hopes and aspirations.

Subsequently, those aspirations were often challenged by economic ups and downs and sometimes political turbulences. For example, in the 1970s we saw the OPEC oil shocks and commodity price booms. In the 1980s, there attempted coup and severe droughts. In the 1990s, we saw multiparty politics, economic liberalization, and emerging markets debt crisis. In the 2000s, we saw the rise of terrorism and global financial crisis (2008/2009). Now we are in a new constitutional dispensation with new institutions and devolved system.

At some point, Kenya and indeed the whole continent was seen to have lost decades of opportunity to turn around their economies. Indeed there were talks of the so called "Afro-pessimism".

But the aspirations and hopes of the 1960s never died.

Resilience prevails.

The Central Bank of Kenya was able to remain a dynamic institution in a fast changing economic and political landscape.

Of course, some of the decisions needed for that dynamic flexibility were not without their controversy, at the time.

Such as embracing economic liberalization including IMF/World Bank structural adjustments, dismantling exchange control, freeing exchange rate determination, and autonomy in monetary policy operations.

These watershed decisions have served to enhance the capacity of the Bank, while keeping Kenya going.

So over the years, as the economic and political landscape changed, the Bank has strived to respond.

Let me just highlight a few.

One, the conduct of monetary policy has undergone significant change since 1966, moving from controls, passivity and discretionary to liberalized, active and use of both rules and discretion. This was needed to better manage inflation in a liberalized environment.

Two, with the removal of exchange control and adoption of floating exchange rate regime, the bank has strived to carefully manage the foreign exchange market, intervening to smooth out volatility rather than influence the direction of the movement of exchange rate.

Three, as the regulator of the largest segment of the financial sector, the CBK has steered the sector through periods of expansion and buoyancy, to deliver one of the most vibrant sectors in the economy.

Four, access to formal financial services now stands at 67 percent of the population, making Kenya a world leader in financial inclusion. The Bank has facilitated a sound regulatory environment and promoted innovation that has fostered market growth while mitigating risk.

Five, the Bank has fostered the development and stability of the National Payments System, including the RTGS, Cheque Truncation System, and one of the greatest payments innovations of our time, the mobile phone money revolution.

Six, as fiscal agent to Government, the Treasury Bond program has enabled us to significantly increase the average maturity of our domestic debt and put in place an effective yield curve.

So, throughout the fifty year journey, the Bank has had to review continuously its business model to make it a tune to changing environment.

Going forward, the Bank must position itself for the new challenges and emerging opportunities.

The Bank’s vision and mission must be aligned to long term economic blueprint of Vision 2030, which calls for increased role of CBK in economic policy management.

With increased regional integration, the CBK is require to play a greater role in coordination of monetary and banking policies within the East Africa Community (EAC), ahead of the proposed single currency for the region by 2023.

There will be expanded responsibilities of supervising deposit-taking microfinance institutions. As such, increased capacities and resources will be required to perform this expanded role.

And, the innovations in payment systems including mobile payments will require innovative regulatory approaches. The CBK will require legislative support to oversee these innovations as well as acquire new skills.

Therefore, the Bank must constantly rethink its tools, systems, responses, and, above all, must continue to be at the centre of social and economic transformation of the Government.

I glad we have worked closely with the Bank to develop a new Central Bank of Kenya Bill 2015, which was passed by the Cabinet about a week ago. The Bill seeks to bring on board best international practice and recent developments in Central Banking law.

Some of the highlights of the new law include:

First, clearly defining the objectives, functions and powers of the Central Bank and reinforcing the primary objective of the Bank as price stability and financial stability as a secondary objective.

Second, providing for an effective autonomous Monetary Policy Committee (MPC) with provisions for its operation consistent with a framework of instrument autonomy while providing for accountability and transparency of its decisions.

Third, establishing proper governance structures for the Bank including a clear separation of functions between the Board and management, with the former responsible for policy setting and oversight and the latter responsible for policy implementation. The Bill provides for the appropriate board and management composition for efficient and effective decision-making and operations.

And fourth, the Bill provides clear financial provisions that are critical to entrenching autonomy. These include provisions on capital, reserves, budgeting, profit allocation, and a re-capitalization framework for the Bank that will see its paid up capital increase from Ksh 5.0 billion to Ksh 20.0 billion over the next three years.

Apart from the CBK Bill, the National Treasury is consulting with key stakeholders, including many of the people in this room, on reforming the financial sector supervision framework. This may include eventually move to a "twin peaks" model where all market conduct supervision, including for banks, would be under the FSA and all prudential supervision, including for non-banks, would be under the CBK. In addition, we are in the process of developing the Nairobi International Financial Center Bill aimed at making Nairobi an international financial center.

Ladies and Gentlemen, let me close saying that fifty years later, the mandate of the Bank remains relevant.

Challenges have been there, and new ones continue to emerge. Therefore, the Bank's toolbox, responses, must accordingly evolve, if the Institution is to remain fit for the 21st Century.

Last but not least, I look forward to the anniversary activities lined up over the next year and thereafter to another fifty years of the CBK playing a critical role in our economy. We expect that one of the activities for the CBK@50 is the preparation for the launching of the new currency (as provided in the Constitution), just like founding President Jomo Kenyatta did on 14th September 1966 when he launched the new Kenyan currency and the CBK opened doors.

With those few remarks, it is now my duty and humble pleasure to declare the CBK@50 anniversary celebrations officially launched.

Thank you all.