

CENTRAL BANK OF KENYA



INTRODUCTORY REMARKS

by

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during the

**OFFICIAL OPENING OF THE AFRICA-MIDDLE EAST
MICROCREDIT SUMMIT**

*Kenyatta International Conference Centre, Nairobi
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Your Excellency Hon. Mwai Kibaki, President and Commander-In-Chief of the Armed Forces of the Republic of Kenya;

Your Majesty Queen Sofia Margret Victoria Frederica of Spain;

Your Royal Highness Princess Maxima of the Netherlands;

Hon. Uhuru Kenyatta, Deputy Prime Minister and Minister for Finance of the Republic of Kenya;

Prof. Muhammad Yunus, Nobel Peace Laureate and Managing Director of Grameen Bank;

Mr. Sam Daley-Harris, Director Microcredit Summit Campaign;

Mrs. Lydia Koros, Chairperson, Association of Microfinance Institutions;

Delegates, Distinguished Guests and Participants;

Ladies and Gentlemen:

The Central Bank of Kenya is happy to be part of this very important Summit. So let me extend a warm welcome to all the delegates who have come to this Summit. It is indeed an honour for Kenya to host the **14th Africa-Middle East Microcredit Summit**. The Summit will focus on strategies for ensuring that the vast majority of the world's poorest households can access markets for affordable credit.

This Summit comes at an opportune time when the microfinance industry in Kenya is experiencing rapid changes and legislative support following the enactment of the Microfinance Act, 2006 which became operational in May 2008. The major challenge prior to the enactment of the Act had been lack of a specific legal and regulatory framework as well as appropriate regulatory oversight to guide the specific operations of deposit taking microfinance business in Kenya.

I should also point out that it was the microfinance practitioners who helped to initiate the process of developing Kenya's microfinance legal and regulatory framework through a consultative process.

Your Excellency; The MFI sector is now transforming to deposit taking institutions. The Central Bank of Kenya has so far issued two licences to Faulu Kenya DTM and Kenya Women Finance Trust DTM to conduct nationwide deposit taking microfinance business. Further, a total of eight applications for deposit taking microfinance licences have been received and are in different stages of review and appraisal. The Central Bank has also approved 34 business names, which is the first step in the licensing process of DTMs.

While considerable progress has been made in licensing two DTMs, the Central Bank is concerned at the slow uptake of this new avenue for Microfinance Institutions to be mainstreamed into the financial sector. We are therefore engaging the microfinance industry through its umbrella body the Association of Microfinance Institutions (AMFI). This engagement aims at identifying the bottlenecks for Microfinance Institutions some of which include:-

- Costs associated with roll out of branch networks and ICT infrastructure.
- Restructuring of shareholding of Microfinance Institutions to comply with shareholding restrictions specified in the Microfinance Act. The Act restricts shareholding by an individual or entity to 25% of the institution's share capital.
- MFIs are constituted in various forms including Non Governmental Organisations and Trusts. Under the Act, transforming MFIs are required to be incorporated as limited liability companies registered under the Companies Act. The incorporation process takes considerable time and expense and may deter some MFIs from applying for a DTM license.
- Anecdotal evidence also seems to suggest a “**wait and see**” approach by a number of potential deposit taking MFIs as they assess the experience and performance of the pioneer regulated DTMs. The Central Bank would like to take upon itself the task of dislodging the “waiting option” from this sector of the market.

The Central Bank of Kenya is currently drawing up proposals for review of the microfinance legal and regulatory framework. I should stress that the Bank will continue to consult with market players as this process moves forward. We therefore, look forward to drawing valuable lessons from this Summit to enhance Kenya's microfinance legal and regulatory framework.

We stand ready to advice, cultivate partnership and only regulate when rules are flouted.

With these few remarks, **Ladies and Gentlemen**, it is now my honour to welcome the Deputy Prime Minister and Minister for Finance, Hon. Uhuru Kenyatta to make some remarks to this Summit and to invite His Excellency the President of the Republic of Kenya to officially open the Africa-Middle East Microcredit Summit.

THANK YOU