



CENTRAL BANK OF KENYA

**PETROLEUM INSTITUTE OF EAST AFRICA (PIEA) 2015 GALA DINNER
Safari Park Hotel, Nairobi**

Remarks by Dr. Patrick Njoroge
Governor of the Central Bank of Kenya
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As Prepared for Delivery

Good evening! I am greatly honoured to be here today at this auspicious Gala Dinner of the Petroleum Institute of East Africa (PIEA). I am particularly grateful to the Institute for the invitation, which gives me the opportunity to interact with members of the Institute for the first time as Governor of Central Bank of Kenya. I note with satisfaction the important role played by the Institute in promoting regular interactions between the players in the oil industry. I am happy to note that the Institute not only focuses on issues of interest to its members, but also on issues pertinent to the economy.

At the outset, I want to say a few words about the economy. Kenya's economic growth has remained robust despite the challenges emanating from the slowdown in the global economy, the increased volatility in the global financial markets, and our own security difficulties. Most emerging and frontier market currencies have been volatile against the U.S. dollar largely reflecting the strong U.S. dollar, and uncertainty on the timing of the increase in U.S. interest rates. Growth is projected at about 6 percent in 2015, from 5.3 percent in 2014, supported mainly by higher public and private investment. Notably, the monetary policy measures adopted by the Central Bank have stabilized the exchange rate and contained inflation within the Government's target range. Overall inflation declined from 7 percent in June 2015, to 6 percent in September 2015. The foreign exchange reserves (at 4.2 months of import cover) remain adequate to address short term shocks. In addition, the Central Bank is working closely with the National Treasury to ensure the well-coordinated implementation of monetary and fiscal policies.

The theme for this year's Gala Dinner—*Connecting the Dots for Kenya's Development*—underscores the importance of identifying and implementing effective growth strategies, as well as the need for collaboration among key players in the economic management of our country. The Central Bank and the institutions under the umbrella of the Institute have an important role to play in this regard. I would like to highlight a few dots.

The first dot concerns the Central Bank's mandate of maintaining price stability, ensuring financial stability, and promoting an efficient payments system. Price stability enhances the environment for productive investment and long-term growth. As in other oil-dependent economies, Kenya is highly vulnerable to supply disruptions and oil price movements. In particular, fuel prices are important drivers of inflation, as energy prices contribute about 27 percent of the overall consumer price index. In addition oil imports account for about 20 percent of total imports. This shows the importance of your industry to the economy and the need for measures to mitigate the risks that arise.

The second dot concerns partnership between the private and public sectors. An appropriate partnership of these institutions should be anchored on their respective mandates and objectives. An excellent example of this partnership relates to the significant transformation in financial inclusion driven by mobile and agency banking. On the one hand, the Central Bank mandate of promoting efficient payment systems extends to the use of innovative products, leveraging new technologies such as the mobile phone. On the other hand, service providers and financial institutions have pursued growth opportunities for their business, and worked closely with the Central Bank to implement these innovations and address the attendant risks. The result has been a tremendous expansion in access to financial services including rural areas. A recent survey indicates that 73 percent of the adult population in 2015 lives within three kilometers of a financial service access point, compared to 59 percent in 2013. But much more remains to be done, and the Central Bank is positioning itself for the new challenges. I would challenge the members of your Institute to adopt a similar approach to partnership with the government, regulatory agencies, and stakeholders, to develop and sustain petroleum standards, guidelines and best practices.

The third dot relates to promoting professionalism and high business standards. The Central Bank certainly fully embraces this aspiration, with our objective of becoming a world-class institution, in the context of celebrating its 50th anniversary in September 2016. I note that the Institute's mission is to provide a forum for expertise and excellence, promoting professionalism and free enterprise in the industry. This is crucial to ensure that the industry remains vibrant and competitive. However, I would want to underscore the need for the highest standards in corporate governance, including financial oversight. I am happy to note that following the recent discoveries of oil deposits in the region, the growth potential and opportunities for the oil industry appear bright. It is imperative that these high standards permeate the industry quickly.

Finally, ladies and gentlemen, I want to challenge you to work towards enhancing competition in the sector, by leveraging greater innovation and efficiencies. In this way, the sector will continue supporting the country's positive economic outcomes and prospects. Allow me once again to applaud the Institute for its contribution in the development of the oil industry. I would like to assure the Institute of the Central Bank's continued support and collaboration as we endeavor to support growth in our economy.

Thank you!