



CENTRAL BANK OF KENYA 50TH ANNIVERSARY CELEBRATIONS

Nairobi National Museum

Speech by Dr. Patrick Njoroge
Governor, Central Bank of Kenya
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As Prepared for Delivery

I am greatly honoured to welcome you this morning to celebrate 50 years of the Central Bank of Kenya's existence. I am grateful to all guests for honouring our invitation and joining us to celebrate this milestone. I am particularly grateful to Your Excellency, for graciously accepting to attend this important event despite your extremely busy schedule. I want to pay special tribute to fellow Governors and Deputy Governors from the region, and especially my colleagues from the EAC, who have been with us over the last two days, and over the last 50 years.

These celebrations accord us an excellent occasion to reflect on the achievements of the Central Bank, the challenges and opportunities that lie ahead. The history of the Central Bank is very much intertwined with the history of the country, and most of us here today are a part of that history. It is a rich history, and like any other, it is marked by peaks and troughs, shadows and lights, but it is a history that we are proud of.

Soon after its establishment, the new Central Bank had to deal with an economic slowdown in the early 70s and the effects of the oil crisis, which put increased pressure on domestic prices and the balance of payments. Kenya's respite came in the form of a "coffee boom," following a devastating frost in Brazil and the resulting increase in coffee prices. The 1980s witnessed an increase in the number of indigenous Kenyans investing in the banking sector. But inadequate capacity, weak internal controls and poor funds management led to market indiscipline. The result was significant distress in the banking sector, with the attendant ramifications on the Kenyan population, problems that persisted into the early part of the 90s. Highly accommodative policies in the early 90s also led to runaway inflation, forcing the Central Bank to undertake massive liquidity mop-up operations to reign-in inflation and restore confidence in the financial system.

Nevertheless, these challenges presented opportunities for legislative and institutional reforms to improve the effectiveness of the Central Bank. To this end, a number of reforms were effected, including amending the Central Bank Act to enable the Central Bank exercise greater operational autonomy in the conduct of monetary policy, while maintaining price stability as one of its primary objectives.

In this sketch of our history, I would also want to flag the following important achievements.

- 1. The conduct of monetary policy has been improved** in line with global practices, developments in the financial sector, and the changing economic environment. The establishment of the *Monetary Policy Committee (MPC)* in 2008 has enhanced the legitimacy and transparency of monetary policy decisions, as well as guiding expectations about the policy direction.
- 2. The prudential regulation and supervision of banks has been strengthened over the years.** For instance, risk management guidelines were issued in 2005. In response to the need to strengthen the powers to resolve banks and thereby enhance the sector's stability, the Kenya Deposit Insurance Act was enacted in 2012. Consolidated supervision and regulation of banks with cross-border operations has also been enhanced. We are grateful to our development partners that have and are helping us in this area.
- 3. Financial inclusion has increased substantially.** Access to formal financial services has increased from 26 percent in 2006 to over 75 percent currently. Conversely, the proportion of the population that are financially excluded has been reduced by half since 2006. Additionally, Kenya's ranking of access to credit by customers advanced 88 places to **28th** among **189** countries in the World Bank's *Doing Business Survey 2016*.
- 4. Innovations in the payment systems and the integration of IT systems** have increased efficiency in the payments, clearing, and settlement systems. These innovations include: the Real Time Gross Settlements (RTGS) Systems that allow settlements in real time; full automation of the Clearing House and other improvements—cheques that took 21 days to clear some 10 years ago can now be cleared in just two days. Mobile payments have ballooned and account for over 80 percent of the number of payment transactions. The introduction of internet banking has enabled the Central Government, Ministries and Counties to reduce their paperwork and make payments in an efficient manner from far-flung locations.

5. The CBK continues to support the National Treasury manage its accounts. In conjunction with the National Treasury, the government bond programme has been revitalised and the debt portfolio skewed to the current ratio of 78 percent bonds and 22 percent bills.

It is against the background of appreciation of these achievements that we started our journey in September 2015, toward our Golden Jubilee celebrations. The events over the last year have been anchored on the youth, in recognition of their key role in our nation's growth and great expectations. Subsequently, the CBK launched and supported initiatives targeted at empowering and inspiring the youth. These included:

- The *Mathare Youth Empowerment Programme* that focused on enhancing financial literacy amongst youth groups in Mathare;
- The *CBK internship programme* that offers deserving college graduates an opportunity to be inspired to serve in the financial sector.
- *Sponsorship of the Kenya Music Festival*, which entailed about six million students across the country translating the CBK mandate into poems and choral verses as well as performing the CBK theme song *Miaka Hamsini*.
- A *Children's Art competition* in collaboration with the National Museums of Kenya and the Kenya Bankers Association, where children translated their understanding of the CBK's mandate into creative pieces. The best of these are on display here at the Museum and I trust that everyone will get an opportunity to view them.

Ladies and Gentlemen, I would be remiss if I did not mention the Central Bank's greatest assets—the people of the CBK. Most of them are unsung heroes in the backrooms, banking halls, security posts, branches, cleaning crews, etc. All dedicate themselves with professionalism, integrity, and a spirit of service. The staff of the Bank are not only immensely talented but have also shown exceptional dependability and dedication to the institution. *I salute you!* Today, we will be presenting long service awards to 14 current and retired staff, who have the longest length of service.

As I conclude, **Ladies and Gentlemen**, the CBK is repositioning itself for the next 50 years, and our aspiration is to be a *World-Class Modern Central Bank*, reflected in our processes, systems, and our staff. CBK will continue to strengthen prudential regulation and supervision, with a view to supporting the continued safety, soundness and growth of the banking sector. This is in line with Kenya's aspirations under Vision 2030 of promoting a sound, safe and inclusive financial system to progress towards a regional financial services hub.

With these remarks, **Ladies and Gentlemen**, let me once again thank all Kenyans and our guests for joining us in these celebrations. *Hongera kwa mafanikio hadi sasa, tunaomba mema kwa siku za mbele!*

It is now my pleasure to invite the Cabinet Secretary, National Treasury, Mr. Henry Rotich, to make his remarks.

Karibu Waziri!