

## **Njuguna Ndung’u: Kenya’s vision for a strong and accessible financial sector**

Remarks by Prof Njuguna Ndung’u, Governor of the Central Bank of Kenya, during the 2009 Alliance for Financial Inclusion (AFI) Global Policy Forum, Nairobi, 14 September 2009.

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The Right Honourable Prime Minister of the Republic of Kenya, Mr. Raila Odinga;  
The Deputy Prime Minister and Minister for Finance of the Republic of Kenya, Mr. Uhuru Kenyatta;

Permanent Secretaries here present;

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

Distinguished Guests;

Ladies and Gentlemen:

Right Honourable Prime Minister, let me thank you most sincerely for gracing this important Forum. Your personal presence demonstrates the seriousness with which the Government of Kenya takes the role of the financial sector in the process of our nation’s economic development. May I also heartily thank the Alliance for Financial Inclusion (AFI) for choosing to host its inaugural Global Policy Forum in Nairobi. This is indeed a very great honour to our country. I also warmly welcome all the Forum participants and hope that in the course of the next three days, we shall have fruitful discussions and emerge with smart policies to expand global financial inclusion. In this respect, I am delighted to be part of the Forum and to champion its course.

Mr. Prime Minister, this Forum is jointly hosted by the Alliance for Financial Inclusion (AFI) and the Central Bank of Kenya (CBK). The CBK is a member of the AFI Steering Committee. The AFI has over 60 member countries that account for the majority, nearly 70 percent, of the world’s “unbanked” population. AFI’s vision is to expand financial services to at least fifty million people across the globe living on less than two dollars a day by 2012.

The AFI currently concentrates on six policy areas, namely, Agent Banking, Mobile Phone Banking, Diversification of Financial Service Channels and Providers, State Bank Reforms, Financial Identity and Consumer Protection. AFI’s mandate, however, will be widened as need arises. All these thematic areas, which AFI champions are relevant to our country and are key to our financial sector if it has to become “*a vibrant and globally competitive financial sector*” as stipulated in Vision 2030. A strong and accessible financial sector is a key ingredient in Kenya’s vision of becoming a middle income country by the year 2030.

As a country we are matching on towards all these fronts that AFI espouses. The government in the current fiscal year 2009/10 proposed to introduce branchless banking. This will enable banks to provide their services through Agents with wide distribution networks and therefore legalizing Agent Banking and reducing costs of financial services. There has been a significant reduction of the proportion of our population that remains unbanked from 38% in 2006 to 33% in 2009 according to the national financial access surveys conducted by the CBK and Financial Sector Deepening (FSD) Kenya. This reduction in the unbanked is greatly attributed to the contribution of mobile phones as a channel for money transfer.

The recent Financial Access Survey also indicates that the proportion of our population accessing banking services increased from 19% to 23% between 2006 and 2009. However, 33% of the population still has no access to any form of financial service and 27% access financial services from the informal financial sector. Despite the progress we have made towards expanding financial access, the majority of Kenyans still lack access to formal financial services. We are therefore keen to draw on the wealth of experiences that are brought to the table by participants in this Forum. We will, over the next three days, share

experiences on smart financial inclusion policies that have worked elsewhere. We will thereafter adopt these policies to suit our respective countries as we work together to push forward the global financial access frontiers.

Mr. Prime Minister, this Forum also comes at a time when the global economy is suffering a slow down, with economic activities weakened considerably. Although there are signs of improvement, we are yet to see full recovery. Globally, policy actions taken to mitigate the crisis have been geared towards maintaining effective and well functioning financial systems and to reinforce their resilience in order to guard their integrity. We have acted accordingly to ensure that our financial system remains sound, secure, stable, accessible and trusted. We are in constant vigilance that this remains the case and any action necessary to achieve this will be undertaken.

With these few remarks, it is now my pleasant duty and honour to welcome the Deputy Prime Minister and Minister for Finance to make a few remarks and to welcome you to address this Forum.

Honourable Deputy Prime Minister and Minister for Finance, you have the floor.