

## **Njuguna Ndung'u: Corporate social responsibility in Kenya**

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, on the occasion of the launch of Equity Group/Master Card Foundation Scholarship, Nairobi, 8 February 2010.

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The Rt. Hon. Raila Odinga, Prime Minister of the Republic of Kenya;  
Hon. Prof. Sam Ogeri, Minister for Education;  
Mr. Peter Munga, Chairman of Equity Bank;  
Dr. James Mwangi, Chief Executive Officer, Equity Bank;  
Distinguished Guests;  
Ladies and Gentlemen:

1. I am honoured to join you this morning on this important occasion. Let me at the outset acknowledge the presence of the Right Honourable Prime Minister and the Honourable Minister of Education. Your presence here is testimony to the emphasis that the Government of Kenya places on education.
2. Allow me also to salute the Equity Group Foundation and the Master Card Foundation on the launch of scholarships for top primary school performers. This is a worthy extension of the corporate social responsibility activities of Equity and Master Card. I urge other entities to take up similar initiatives.
3. Developing the requisite human capital base is the cornerstone for Vision 2030. Endogenous growth models emphasize the role of human capital. Inadequate human capital will choke growth and condemn the country to a low equilibrium trap.
4. The focus of this Foundation on high performing students from vulnerable backgrounds who may easily drop out of the education system should serve as the best signalling mechanism for hard work and excellence.
5. I look forward to the success of this Foundation and the rolling out of similar schemes by the corporate sector. I am sure that these scholarships will nurture Kenya's next generation of transformational leaders.
6. It is now my pleasant duty to invite the Honourable Minister for Education to address this distinguished gathering.

Honourable Minister, You have the floor.

## **Ajith Nivard Cabraal: Expanding financial services in Sri Lanka**

Address by Mr Ajith Nivard Cabraal, Governor of the Central Bank of Sri Lanka, at the Opening of a New Branch Office in Jaffna by The Hongkong & Shanghai Banking Corporation Ltd, Jaffna, 11 February 2010.

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My dear friends,

I am delighted to be here in Jaffna today for the opening of a new branch of HSBC, one of the market leaders in global banking. The history of the HSBC in Sri Lanka could be traced

back to 1884, when it first commenced operations in Colombo. Today, the largest foreign bank operating in Sri Lanka has moved to Jaffna bringing banking to the doorsteps of people in the Northern Province. This is indeed a historic milestone.

This development did not happen by chance. It did not take place automatically. With the liberation of our entire nation in May last year, the Government and the Central Bank have taken determined efforts to expand financial services, facilitate and stimulate economic activities, and develop infrastructure in the North and the East. In fact, I have personally participated at several bank branch openings during the last few months, and our officers have been following up the progress, and these outcomes are a result of such combined efforts. Today, I can proudly say that an ever-growing number of financial institutions operate in the North and that these provide diverse financial services, whilst of course we would be the first to admit that a lot more needs to be done.

My dear friends, the development and maintenance of essential public infrastructure is an important ingredient for sustained economic growth and poverty reduction. In particular, health, education, electricity, housing and efficient water and sanitation services help lay the groundwork for a productive and healthy population, capable of contributing to sustained economic growth. We all know that as a result of the long and bloody conflict, the infrastructure facilities in the North could not be developed as done in the other Provinces. It is due to that fact that, with a view to fast tracking the development in the North, the Government has now launched a well-planned, integrated, accelerated development program titled "Vadakkinn Vasantham." Under this program, the Government expects to invest approximately Rs. 295 billion (US\$ 2.7 billion) during the next 3 years, towards rehabilitation and development activities. This program is expected to cover the rehabilitation of roads and other transportation infrastructure, the upgrading of electricity for domestic housing and industry, water supply, agriculture and irrigation infrastructure and the improvement of the manufacturing framework. The Government also intends to implement a special poverty reduction program and establish the required social safety net, quickly.

My dear friends, as we all know, the speedy resettlement of the internally displaced people has also been a top priority for the Government. Towards this goal, many extraordinary efforts have been taken. Out of the over 300,000 internally displaced persons who were rescued and had to be temporarily housed in welfare camps, over 217,000 or 72% have already been resettled. All those from Vavuniya, Mannar, Jaffna, a part of Mulativu and Killinochchi have now returned to their homes. The others mainly from Mulativu and Killinochchi are also to be resettled systematically without any undue delay, depending on the speed at which the de-mining processes take place. This is an outstanding achievement against all odds, and I believe the successful resettlement is a tribute to the deep commitment of the Government, the tremendous efforts of our public service and the dedicated contribution of several international organizations. I am also tempted to mention that this surprising outcome may have been a pleasant surprise to many who at certain times expressed the belief that the government may not have had the inclination nor the urgency to carry out this challenging task so expeditiously.

My dear friends, the Central Bank has also contributed its mite to these normalization processes. We have, so far, over the past 8 months, granted approvals for the establishment of more than 90 banking outlets in the Northern Province. We have introduced a Special Loan Scheme, also titled "Vadakkinn Vasantham" to boost the livelihood development of the people in the North. Under this scheme, an initial sum of Rs. 3,000 million has been appropriated to be disbursed at a concessionary interest rate of 9% per annum to the eligible micro, small and medium scale enterprises, through several Participating Financial Institutions. The repayment period could extend up to 5 years with a grace period of 6 months. I am happy to note that over 9,000 loans amounting to Rs. 1.8 billion have already been registered with the PFIs and disbursements of over Rs 1 billion has taken place.

My dear friends, the rich resources of the North, including its forests, agricultural land, wet lands, lagoons and bays provide a solid base for many enterprises. Even during the conflict period, the Northern Province accounted for 10 percent of the paddy production, 40% of Red Onions, 10% of Chillies, 14% of Green Gram and 25% of Ground Nuts. These statistics indicate that there would be many viable income generating activities which could be promoted to upgrade the livelihood of the people, with the assistance of the banking sector. It has been estimated that 129,000 fishermen, representing 20 percent of the total number of fishermen in our country, live in 219 fishing villages in the Northern Province. In the year 2006, the total fish production from the North stood at 25,900 MT, representing 12 percent of the country's total production. These facts also indicate that the income generating activities in the fisheries sector too could be developed substantially in the coastal areas with the provision of appropriate banking facilities, particularly for multi-day boats, fishing gear and other ancillary needs such as ice plants, and storage facilities.

Over the past several years, the Central Bank has also initiated several credit schemes applicable throughout the country, aimed at promoting regional development and poverty alleviation. In particular, work has commenced on a new Poverty Alleviation Micro Finance Project to cover conflict-affected districts. Approximately 3,000 beneficiary groups with more than 12,000 low-income families have already been organized within the Jaffna peninsula under this project. We have also fast-tracked the Agro-Livestock Development Loan scheme, which is another scheme that could provide increased benefits to this Province.

My dear friends, during the several recent visits that I made to Jaffna, I always made it a point to meet with the Chambers of Commerce officials, bankers, Teachers, students, villagers, fishermen and many others. We received many valuable suggestions from them. In particular, we received too very useful ideas to open a Central Bank's Provincial Office and to arrange for a Special Northern Regional Development Fund for the Northern Province. I am glad to announce today that we will implement both such initiatives in the coming months.

My dear friends, I thought it may also be appropriate to use this opportunity to make a special appeal to the Sri Lankan Tamil Diaspora, living in all parts of the world. The decades long conflict which sapped our combined energies in various ways, is finally behind us. Therefore, it is now time for all of us to get together and rebuild our nation, in particular, the areas that have suffered. We, on our part, are keen to assist the people of the North to resume normal lives as soon as possible. Towards that outcome, we believe the Diaspora too could play an active role and become partners in the development process of the North. They can be an important influence to accelerate investments to these areas and thereby support the expansion of industrial activity and tourism. Needless to say economic opportunities in the North are expanding day by day, and I would like to urge overseas Sri Lankans to take an early look at emerging investment opportunities in these areas, particularly in the fields of IT, education and real estate development where they can surely and effectively contribute.

I would also urge the Chambers of Commerce and Industries, and other similar Associations to consider establishing international institutional frameworks and links, which would pave the way for two-way interaction between the overseas Sri Lankan community and our local institutions and businesses. Such relationships could then act as focal points to promote remittances and investments into the domestic economy, as well.

My dear friends, today, we meet in the midst of a significant change in our country's economic and political landscape. The end of the decades long conflict has resulted in the creation of a significant positive impact, not just in the Northern Province, but also in the entire country. To benefit by this positive outlook, it is crucial that we start new businesses and expand on-going ventures. In this regard, I am happy to note that the HSBC, which brands itself as the "World's Local Bank", could now offer both corporate and small customers a full range of financial products and services. In doing so, they, as well as all other banks who are doing business in these emerging areas, will face the challenges of

borrowers not possessing long credit histories or not possessing adequate collateral. This situation will certainly pose challenges, but we would like to urge all bankers that they should practice innovative cash flow based lending methods at least for 2 to 3 years, and not to be too constrained by security based lending only. I also urge financial institutions to lend the money mobilized from the region for the development of this region.

Finally, let me place on record my appreciation of the presence of the High Commissioner of the UK, Dr. Peter Hayes at this opening ceremony. Your support to this effort would certainly encourage the business community both here in Jaffna and elsewhere in Sri Lanka, and I thank you for your gesture. Let me also congratulate HSBC on this auspicious occasion of opening the first foreign bank branch in Jaffna. The HSBC Bank with its global connections could now facilitate financial transactions in the North with all parts of the world, while HSBC's presence in the Jaffna Peninsula from today onwards, would convey an important signal to the world that tangible progress is being made in post conflict Sri Lanka. I wish Mr Nick A Nicolaou, his team in Sri Lanka the HSBC and all their customers, especially the ones in this area, all success.

Thank you.