

Njuguna Ndung'u: Implementing reforms in Kenya

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the 15th East AFRITAC Steering Committee Meeting, Naivasha, 8 April 2013.

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**Members of the East AFRITAC Steering Committee here present;
Mr. Xavier Maret, the East AFRITAC Centre Coordinator;
Mr. Ragnar Gudmundsson, IMF Resident Representative to Kenya;
East AFRITAC Advisors and Consultants;
Distinguished Ladies and Gentlemen:**

It is my pleasure to officially open the 15th East AFRITAC Steering Committee meeting. On behalf of the Government of Kenya, I take this opportunity to welcome you all to Kenya. In particular, I would like to welcome you to Naivasha, one of our leading horticultural producing regions and a tourist destination at the heart of the Great Rift Valley.

I know that we have some good work cut out for us in the next one and a half days but at the same time I would like to encourage all of you and especially those visiting the region for the first time, to find time to sample our beautiful tourist attractions in Naivasha before you depart.

Naivasha is also the home town of the roses that are cherished in Europe and the town is also located in the precincts of the panoramic landscapes of the Great Rift Valley which you must have enjoyed as you descended the escarpment on your way to this resort.

Ladies and gentlemen

Some of you may be wondering why I am opening the 15th East AFRITAC Steering Committee meeting this evening instead of tomorrow, 9th April 2013 as had been indicated in the programme. It is for a good reason because on the 9th of April we will be witnessing the culmination of a process that started way back in 2010 when we promulgated our new constitution.

The Kenyan Constitution 2010 brought in new governance structures and processes including the way we conduct elections and procedures for transfer of political power. This is why we had to adjust the programme to allow my participation during the inauguration of the Fourth President of the Republic of Kenya on Tuesday, 9th April 2013. Given the critical importance of this meeting, we thought it should proceed as planned.

Ladies and gentlemen

Let me now turn to the subject matter of our meeting and in this regard, I would like to first and foremost express our sincere gratitude to East AFRITAC for the support that we have received over the years. Through this support, we have been able to implement far reaching reforms in many areas including public financial management, revenue administration, financial sector regulation as well as macroeconomic policy analysis. I am sure you will agree with me that these reforms have contributed substantially in the growth and development of our economies that we have witnessed in the region in recent years.

In Kenya for example, East AFRITAC has been our main source of Technical Assistance in implementing the public financial management aspects that were required to be implemented in a time bound manner by our Constitution 2010. In this regard, we have received valuable and timely support in enacting the Public Finance Management Act 2012 and the accompanying regulations, reengineering IFMIS, setting up the National Treasury, Performance Based Budgeting, revenue administration, and financial reporting and in developing the VAT Bill that is now in Parliament.

These are just a few examples of the critical support that we have received from East AFRITAC. But one common feature of the support in these areas is that the Technical Assistance has been relevant and demand driven primarily to meet the requirements of our Kenya Constitution 2010. I must add that Kenyans, through the National Assembly have also been very proactive in demanding many of these reforms especially in performance based budgeting and financial reporting and accounting. There is therefore strong ownership of these reforms and this is a clear indication that they will be sustained.

I believe what I am saying for Kenya should be true for all the seven recipient countries of East AFRITAC's technical assistance and capacity building initiatives. In this regard, and on behalf of all the seven recipient countries, I would like to take this opportunity to once again thank the IMF and the other contributing partners without whose support these reforms would not have been possible.

But let me add that while we have made substantial progress, we need to do a lot more to in order to advance our reform agenda and in this regard, I

welcome this meeting because it will help us in assessing implementation of our work plan for the financial year 2013 and also consider the proposed work plan for the financial year 2014.

Let me also say that the mid-term evaluation of East AFRITAC's performance will play a useful role in establishing the exact extent to which we have achieved the objectives we have set together. It will also inform any necessary realignment to sharpen our focus to the most relevant and priority areas. The evaluation report to be presented on Wednesday should therefore be of keen interest to the Steering Committee.

Ladies and gentlemen

Turning to the financial sector, I would like to point out that the continued expansion of players in the sector across borders is another development that needs our attention. In order to effectively regulate and supervise such players, adequate capacity building on cross border supervision is necessary.

I appreciate the East AFRITAC's technical assistance and capacity building to the recipient countries on consolidated supervision, risk based supervision and establishment of supervisory colleges. The knowledge base established has proved useful for the supervisors to facilitate innovations by the players without comprising the stability and integrity of the financial systems of the region. These are the pillars of strong institutions of the regulators and the regulated.

The dynamic reforms being witnessed in the region point to the continued need for technical assistance and capacity building to be able to derive optimum results. In this regard, I see the role of East AFRITAC becoming more pronounced than ever before. The current areas of focus by East AFRITAC's technical assistance and capacity building remain relevant. However, I expect that the mid-term evaluation will offer suggestions on new areas of focus that will ensure that East AFRITAC remains relevant to the evolving needs of members.

Ladies and gentlemen

As I conclude, let me make one observation. I am informed that at the end of the two-day meeting, there will be an excursion to the Olkaria Geothermal site. This is part of a major initiative by the Kenyan government aimed at increasing the use of green energy while at the same time addressing the adverse effects of climate change by exploiting natural steam that we have in abundance along the Great Rift Valley.

I am sure that some of you may be asking how this is related to what we are doing here. In Kenya, we do not have sufficient hydro power potential and we have been increasingly relying on thermal generation which is very expensive and unfriendly to the environment. As

such, the government has been subsidizing thermal generation to make it affordable and this has substantial fiscal implications. With geothermal generation, a lot of resources can be saved that would be allocated to other priority areas. I therefore urge you to spare some of your time to participate in the excursion.

Ladies and gentlemen

I would not wish to take any more of your time but before I conclude, I once again take this opportunity to welcome you all to Kenya and wish you an enjoyable stay. I wish all of you a fruitful meeting.

With these remarks, it is now my pleasure and honour to declare the 15th East AFRITAC Steering Committee meeting officially open.

Thank you all and enjoy the rest of the evening.