Patrick Njoroge: Establishing sustainable agricultural financing in Kenya, Tanzania and Malawi

Remarks by Dr Patrick Njoroge, Governor of the Central Bank of Kenya, at the launch of the Executive Certificate in Agricultural Finance (ECAF) Capacity Building Programme, Nairobi, 10 June 2016.

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Honorable Cabinet Secretary, distinguished guests, Good morning! It is a great pleasure to speak before this distinguished group today. I would like to express my thanks to the organizers and sponsors of this event, the *Global Communities Partners for Good* and the *United States Department of Agriculture (USDA).*

On behalf of the Central Bank of Kenya, let me join my colleagues in welcoming you to this event whose primary objective is to launch a new and unique capacity building initiative targeting financial sector institutions in Kenya, Tanzania, and Malawi. I am informed that this training programme, aptly called the Executive Certificate in Agricultural Finance (ECAF), has been developed in response to the identified capacity gaps obtaining in majority of our lending institutions which has continued to constrain effective delivery of financial services to the agricultural sector.

At the outset, let me commend the United States Department of Agriculture (USDA), Global Communities Partners for Good, Kenya School of Monetary Studies, and Financial Access East Africa (FAEA) for seeking to continue building a critical mass of appropriately trained personnel with requisite knowledge and skills to deliver lending services to the agricultural sector.

Establishing a sustainable and borrower-friendly agricultural financing system with a capacity to infuse growth of various sizes of agribusinesses has continued to be elusive. This, in spite of the fact that agriculture remains the single most critical sector in the majority of Sub-Saharan communities. A number of both demand and supply side factors have been cited as contributing to the worrying scenario. I am happy to note that this programme, seeks to address a critical supply side factor which is under the control of lending institutions – i.e., strengthening the human resource capacity.

According to estimates, demand for food will increase by 70 percent by 2050, and at least $80 billion annually in investments will be needed to meet this demand, most of which is expected to come from the private sector. Banking sectors especially in developing countries have continued to lend much smaller share of their loan portfolios to agriculture compared to agriculture's share of GDP. This has constrained investment in agriculture by both farmers and agribusiness. It also demonstrates that the barrier to lending is not a lack of liquidity in the banking sectors, but rather a lack of willingness to expand lending to agriculture.

It is noteworthy that various global initiatives that have been undertaken by different stakeholders, to reverse the worrying trend in order to enhance access and usage of financial services for growth in the agricultural sector and these include:

- the World Bank Group's Community of Practice (CoP) focusing on agricultural finance and insurance;
- AgriFin's initiative of GFADR, a multi-stakeholder program funded by the Bill & Melinda Gates Foundation;
- CGAP's initiative on small holder finance which explores innovative approaches in the use of information and communication technologies (ICT) and IFC's work with private sector banks and agribusinesses.

I am happy to note that this capacity building programme we are launching today is an intervention seeking to further address the nagging human resource capacity challenges characterizing our financial sector institutions in the area of agricultural lending.

It is a pleasure to note that by the end of the funding phase by the Global Communities Partners for Good, KSMS and its partner FAEA will have trained a total of 300 lending officers consisting of 140 from Kenya, 100 from Tanzania and 60 from Malawi. It is anticipated that with an appropriately trained workforce, our lending institutions should increase their lending activities to this key and critical sector of our economy. We at the Central Bank of Kenya are excited by this unique opportunity to build the capacity of financial institutions to better serve the agriculture sector, a key economic driver for all three countries, and help stimulate the sector.

With these few remarks, I wish to invite the Cabinet Secretary, Mr. Willy Bett to make a few remarks and launch this training programme.

Thank you.