



### **3<sup>RD</sup> ANNUAL KENYA DIASPORA HOMECOMING CONVENTION**

Catholic University, Nairobi

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

Good afternoon! I am indeed honored to speak before this distinguished diaspora homecoming convention.

I would like to express my thanks to the Kenya Diaspora Alliance for the invitation to participate in this session as a Keynote Speaker. Let me begin by acknowledging the important role of the Kenyan diaspora in economic development mainly through remittances. Diaspora remittances are currently one of the main sources of foreign exchange for the country, amounting to USD1.7 billion in the 12 months to October 2016, up from USD1.4 billion in 2015. Apart from remittances, which are an alternative investment financing channel in key sectors of our economy such as real estate, diaspora entrepreneurs are helping create jobs and stimulate trade.

As you are aware, the Government has been implementing measures to tap the enormous potential of our diaspora's knowledge and expertise in order to enhance their contribution to economic development. I also understand that diaspora diplomacy has been mainstreamed in our foreign policy, thereby providing the necessary framework for dialogue between the Government and diaspora on pertinent issues to the economy.

The theme of this conference – *Diaspora Voting and Youth Empowerment* – underscores the importance of the diaspora and youth participation in the overall development of our country. Given this theme, and borrowing from my recent experience as a diaspora returnee, I would like to highlight measures that have been put in place to enhance the economic environment, and the economic opportunities that are available to the diaspora.

First, macroeconomic stability remains paramount. The achievement and maintenance of a low and stable inflation facilitates predictability in the economic environment thereby promoting investment and a sustainable growth. Prudent monetary policy has kept inflation within the government target range, and ensured stability in the foreign exchange market. In this regard, the CBK moved decisively in the second half of 2015 to deal with

rising inflation expectations largely due to increases in food prices, and pressures in the foreign exchange market reflecting developments in the global financial markets. As a result, overall inflation declined to stand at 6.7 percent in November 2016 from 8.0 percent in December 2015. However, we are closely monitoring developments in the domestic and global economies which could have implications on the price stability objective. Uncertainties remain with respect to the impact of Brexit, potential resumption of tightening of U.S. monetary policy, and the future U.S. policy following the recent political developments.

Secondly, other measures are being implemented to improve the business environment, including investments in infrastructure such as the Standard Gauge Railway, advancing the use of information technology in doing business, and ensuring security, among others. These initiatives are key to promoting competitiveness in the economy. In addition, the growing youthful and entrepreneurial population is a boon to the business environment. Kenya is ranked the World's third most reformed country in the World Bank 2017 Doing Business Report. The performance of the economy has remained strong, with growth expected at 6.0 percent in 2016 from 5.6 percent in 2015. On the contrary, growth in the major African economies has been weighed down in 2016 largely due to the slump in commodity prices.

Thirdly, the diversification of the Kenyan economy in terms of export products and external markets is a major source of resilience against adverse external shocks. About 40 percent of Kenya's exports are to Africa, while the economy is not reliant on commodities. The current account deficit has been narrowing, and is projected at 5.5 percent of GDP in 2016 from 6.8 percent in 2015 and 9.8 percent in 2014. The improvement in the current account balance reflects improved earnings from exports of tea, coffee, and horticulture. Diaspora remittances and receipts from tourism have also been resilient. The CBK foreign exchange reserves, which stand at 4.8 months of import cover, together with the Precautionary Arrangements with the IMF totalling USD1.5 billion continue to provide buffers against short term shocks.

Fourthly, as you may be aware, the banking sector has continued to play a key role in the economy through mobilisation of savings and allocation of the resources to key sectors. The CBK is strengthening the banking sector to ensure greater transparency and stronger governance, and also to promote effective business models and innovation. The Central Bank continues to engage with financial service providers to introduce innovative solutions or products in the market in order to boost financial inclusion and lower the cost of financial services. The CBK is also closely monitoring the impact of the recent

legislation to cap bank interest rates on the economy, while implementing additional measures to lower the cost of credit on a sustainable basis.

Let me now turn to some of the available investment opportunities, which in my view provide the diaspora with an opportunity to participate in the development of our economy. I am happy that these products leverage on mobile financial services thereby making it easier for investors to place their investments. The Treasury Mobile Direct (TMD), which was rolled out in December 2015, offers a channel to access small denomination government securities through the mobile phone. The TMD has improved the efficiency of the existing domestic debt issuance operations, while also increasing retail investors' participation in the primary auctions for government securities. Additionally, the M-Akiba initiative seeks to increase the public's participation in government securities through the existing mobile-phone money transfer services, and with a low minimum investment amount of USD30. Plans are underway for the launch of the first M-Akiba infrastructure bond.

Additional investment channels in government securities, including diaspora bonds, are also being considered. In particular, infrastructure bonds are a very popular investment channel, tied to the financing of the Government's long-term infrastructure projects. These bonds were introduced in February 2009, and their success has signaled the launch of similar bonds by corporates.

The diaspora youth and women also have an opportunity to participate in the Government gender and youth empowerment programs. Currently, 30 percent of all Government procurements are allocated to the youth, women, and persons living with disabilities. The Government has indicated its intentions to expand the opportunities for the youth in procurement through the Access to Government Procurement Opportunities platform.

As I close, I would like to challenge the Kenyan diaspora to take advantage of the improved business environment and the increasing investment opportunities in the country as a way of participating in the macro-management of the economy. Let me once again congratulate the Kenya Diaspora Alliance for organizing this forum.

**Thank you!**