

REMARKS BY HENRY ROTICH E.G.H, CABINET SECRETARY, THE NATIONAL TREASURY DURING THE OPENING OF THE EAST AFRICA ISLAMIC FINANCE SUMMIT HELD IN NAIROBI ON 17TH FEBRUARY 2016 AT VILLA ROSA KEMPINSKI

**Summit Organisers;
Distinguished Guests;
Ladies and Gentlemen:**

1. **Salaam Alaikum.** It is a great pleasure for me to welcome you all to this summit where we are discussing the potential of Islamic Finance and investment in Africa.
2. On behalf of the Government of Kenya, I am honored to express my gratitude to you all for finding time out of your busy schedules to participate in this summit.
3. I note with appreciation that this is the second major Islamic Finance event taking place in Nairobi this year. The increasing attention being paid to the area of Islamic Finance is testament to the emerging realization of the sustainability and attractiveness of Islamic Finance as an alternative financing model in the post global financial crisis world.
4. Indeed, with global Shariah compliant assets having exceed USD 2 trillion and the Sukuk market attracting non Islamic countries, Islamic Finance is now right in the mainstream of global finance.
5. **Ladies and Gentlemen,** for us in Kenya, the Financial Services Sector is critical to achieving the Vision 2030 target of 10 per cent annual average economic growth. The sector is expected to stimulate a significant increase in investments and savings through mobilizing both domestic and international resources. The aspirations articulated for the Sector in the Vision is: “to create a vibrant and globally competitive financial sector that will promote a high level of savings to finance Kenya’s overall investment needs.”
6. The critical area of investment envisaged in the Vision is infrastructure development. Many African countries have continued to lag behind in infrastructural development due to competition of funds from other social economic demands such as health, security, education, justice and others which leave governments with limited resources to spend on infrastructure.
7. In order to address this challenge and ensure we are able to mobilise sufficient resources to achieve our Vision 2030 objectives, the Medium Term Plan (MTP)II, that we are currently implementing, identifies two key flagship projects for the financial services sector namely: the establishment of the Nairobi International Financial Centre (NIFC) to position Kenya as a regional financial hub and an international financial centre; and, the development and implementation of a Capital Market Master Plan. These are vital projects whose implementation is critical to the achievement of the broader Vision 2030 objectives.
8. These flagship projects will, however, only succeed if we are able to leverage the opportunities available to us from Islamic Finance. It is for this reason that the National Treasury is the process of developing and operationalizing the institutional and regulatory environment that will help in facilitating the growth of Shariah compliant finance in Kenya. These efforts include the establishment of a Project Management office that will coordinate efforts across the financial services sector. In addition, as I recently announced we are exploring the possibility of becoming a member of the Islamic Development Bank in order to leverage on the opportunities enjoyed by the member states.

9. We are also looking at following the example of other African countries like Gambia, Sudan, Nigeria, South Africa and Egypt that have already issued Sukuk as a source of funding for their infrastructural needs. Investments in projects such as airports, power plants, dams and highways are backed by tangible real assets and thus ideal candidates for Islamic finance.

10. The issuance of a Sukuk will also be in line with the Medium Term Debt Strategy that we presented to the National Assembly last week that targets an appropriate mix of external versus domestic borrowing in order to ensure that Government domestic borrowing does not crowd out the private sector and drive up interest rates.

11. In addition to its attractiveness for infrastructure and budget financing, Islamic Finance has an added attraction of being a natural choice for socially responsible investors. The adoption last year of the Addis Ababa accord on Financing for Development has brought to the forefront the need for sustainable financing. The commonality of foundation principles of Islamic Finance make it an attractive vehicle to comply with sustainability requirements.

12. Further, its risk-sharing features and prohibition of speculation suggest that Islamic Finance may pose less systemic risk than conventional finance while fostering greater financial inclusion, for example, by serving the large underserved Muslim populations in the marginal areas of our country.

13. **Ladies and Gentlemen**, today's summit provides a great opportunity to deliberate on how we can best maximize on the opportunities available to us from Islamic Finance. At this early stage of development of Islamic Finance there will no doubt be bottlenecks that will hamper our progress. As the National Treasury we stand ready to address any such bottlenecks whether they be legal issues, regulatory issues or the need for Government facilitation. In seeking to address these bottlenecks we can, of course, learn from the experience of other countries that have traveled this road before us. With the wide representation present here, I am confident that we will be able to derive innovative solutions to any bottlenecks. In this regard, as the National Treasury we look forward to receiving the recommendations arising from the summit which will guide the policy formulation process as we seek to develop Islamic Finance in our country.

14. **Ladies and Gentlemen**, as I conclude, I wish to urge all stakeholders to join hands with the Government towards developing Islamic Finance and deepening the overall financial markets as a key tool to uplifting our economy. It is only through a collaborative effort that we will be able to achieve our noble objectives for the good of the Kenyan people.

15. Finally, I would like to greatly applaud the summit organizers, as well as all sponsors, partners and delegates for their efforts in making this summit a success.

Shukran.