**“Becalmed – but still on course”**

***Welcome Address by the Vice-Chairman of the Association of African Central Banks (AACB), Mr Rundheersing Bheenick, Governor, Bank of Mauritius, at the Opening Ceremony of the 2013 Symposium of Governors preceding the 37th Assembly of Governors of the AACB, Balaclava, Mauritius, 22 August 2013.***

It is an immense privilege for me to welcome you all today on the occasion of this symposium on financial inclusion on the eve of the 37th Assembly of the AACB – the Association of African Central Banks. This is an historic occasion both for Mauritius and for the Bank of Mauritius. We are hosting the Assembly Meeting and the Symposium of the Association for the first time in the history of our small island-state.

There are indeed many firsts: this is the very first time the AACB is meeting off-shore – away from the African mainland. It is the first time that AACB annual meetings are witnessing such a record attendance; and also the first time that we are having in our midst the General Manager of the Bank for International Settlements, the President of the African Development Bank, and the Secretary-General of the Islamic Financial Services Board.

We have all of Africa here, and when we include the flagship institution of the G-20, we have almost all the world represented under one roof, bearing testimony to the growing interest in the happenings on this great Continent. And from Africa itself – just to give you an indication of the representation − from North Africa we have our Chairman, Governor Laksaci of Algeria; from the West we have Governor Sanusi of Nigeria; from Central Africa, we have Governor Nchama of Banque des Etats de l’Afrique Centrale; from the East we have Governor Mutebile of Uganda, and from the South we have Governor Marcus of South Africa – a grand total of 32 Governors and heads of Central Bank delegations representing 44 countries. I welcome you all here today. I wish the meeting great success and hope your stay here will be fruitful and worthwhile for you all.

We are here to discuss what is emerging from the G20 Financial Inclusion Action Plan to improve the livelihoods of the poor, and to support Micro Small and Medium Enterprises, the engines of economic growth and job creation – in much of the world, and not just in Africa. At the time Governors decided upon the theme of the Symposium last year, we could not have foreseen that the subject would assume such importance as to attract this splendid attendance. Governors will recall that we did discuss financial inclusion as far back as 2007. In truth, our choice of this AACB Agenda converges with its development through the G-20 process.

Many countries worldwide are actively engaged in reforms and programmes for the provision of affordable banking services, which makes the topic of our Symposium particularly pertinent. The slow recovery from the global crisis forces us to revisit our growth strategies and take a closer look at their impact on the whole of the societies we are expected to serve, not just the prosperous, but also the poor and the excluded – who are showing increasing signs of impatience as they wait for the elusive magic of trickle-down to improve their lot.

Africa is changing fast. From the gloom and the conflict of the last decades we now have new hope and opportunity spreading across the whole continent. In some parts, it is not just a wind of change but a veritable tempest. Indeed, in certain places, such is the pace of change that some fear that we are moving straight from the African Spring into a wintry period of discontent. We are here, therefore, to address the issue of what can the world of banking do to push back this spectre. With 77% of our population still having no access to formal finance, we have our work cut out for us.

Today, as we open our discussions on inclusive finance and banking, we must frankly admit that in an environment where only a small minority of people ever set foot in a bank, and where banking itself is hardly part of the greater political debate, we face a daunting prospect to find a pathway for promoting the best use of the capital resources available to the continent, to ensure balanced and sustainable growth with social stability, hand-in-hand with price stability, financial stability, and monetary stability. Stable currencies and control of inflation figure high among pro-poor policies. To maintain our focus as central banks and to remind ourselves of the distance we still have to travel, it is sobering to note that we are reaching the time when we should embark on Stage IV of the African Monetary Cooperation Program, which reduces the annual inflation target from the current 5% to 3% − a bar which is too high for many of us at this juncture.

The wider agenda, when the present troubles have been overcome, is of course the movement towards regional economic, monetary and fiscal union. The steps to be taken on that pathway are many and difficult. Our model from Europe is itself under great scrutiny; and we must adapt our strategy and our timetable as we absorb the lessons we have been learning from that troubled experiment. An important issue here is how far we can together achieve even the early stage of economic convergence, when only 4 out of 46 countries successfully met the targets in 2011, the last year for which we have comparable data. Even Mauritius is having difficulty here. Meeting these soft targets is a *sine qua non* if we are to have any real hope of achieving the overarching ambition of an African Economic Community.

But as necessity is the mother of invention, if I may quote from my good friend Plato, I see with pleasure how many of our colleagues have been vigorously inventive. Across the African region we are seeing innovation with branchless and mobile banking, which is cutting down the barrier of distance, reducing the cost of financial services, and delivering low-cost accounts for poorer people and small businesses. Indeed, technology is transforming the contours of the banking and financial landscape – and nowhere more so than here in Africa.

We have also been more than busy, counteracting fraud and money laundering, and locking up the real 'banksters' in the profession, who for too long have been giving our business a bad name. Our friend and distinguished colleague from Nigeria, Governor Sanusi, has been one of the pioneers in this sharp-shooting side of the business. Such reforms in banking discipline, security and probity are essential prerequisites for extending banking services to the unbanked, but deserving, majority, in Africa.

Driven by such innovation, banking in Africa today is emerging as a poster boy of empowerment and growing inclusiveness. Kenya, as Governor Ndungu can attest, is widely recognized as leading the field in a new generation of banking in Africa.

We must, however, beware of *hubris*: for if we are at last getting on the right track, we must not just sit there contented, only to be run over by the next train that comes along! Innovation, built on sound R & D, must be our way of life. For we have a major job in hand to keep pace with innovation in trade and investment in the region, and to provide the support that will ensure they thrive. As financial inclusion becomes another accepted test of quality in banking policy, it will, I am sure, provide a more solid foundation for promoting sustainable, equitable, and inclusive growth in the region.

Now let me take this opportunity to warmly welcome experts from the African Development Bank, the Bank for International Settlements, the IMF and Standard Bank. Your contribution to our proceedings is eagerly awaited. You have done so much over the years, as our major advisers and development partners, to help us steer our countries from the darker days of the past, into the fresh light of a future rich with promise. For Africa is now emerging as the up-and-coming global centre of attention, a continent on the cusp of a major breakthrough. I have no doubt you can enrich our discussions on the general aspects of financial inclusion, as well as on the more technical issues of monetary policy and financial stability and their relevance to inclusiveness.

The General Manager of the Bank for International Settlements, Jaime Caruana, will give a special address on the Basle process and the global aspects of Financial Inclusion. He is very committed to the Financial Inclusion Agenda of the G-20 which has been germinating since 2008, in the wake of the global crisis. We thank him for his interest in the work of the AACB. We take this opportunity to also thank him for hosting at his headquarters in Basel an annual Round Table for the benefit of African Governors, with selected peers from elsewhere. This new development agenda pulls together the policy objectives of financial stability, financial inclusion and consumer protection, to overcome the clear shortcomings of the traditional framework of financial liberalisation. Jaime Caruana will no doubt brief us on the work of the two subcommittees of the G-20 on SMEs and on consumer access through innovation. Commissioner Maruping will share with us the African Union's perspective on our work.

Tomorrow at the Assembly of Governors, we will have the President of the African Development Bank, Donald Kaberuka, who will talk to us about the Africa 50 Fund and how it can help to bridge the infrastructure gap now hampering faster growth and better quality of life on the continent. And the Secretary General of the Islamic Financial Services Board, Jaseem Ahmed, will bring his inputs later into our discussions by sharing with us his views on Islamic Finance and financial inclusion.

I must express my thanks to those organisations who have partnered with us to organise this event, and given us such fulsome support. <u>First</u>, the three banks: State Bank of Mauritius, Standard Bank and Barclays Bank. They are all leading the way in working towards closer financial links between Mauritius and the wider region. <u>Next</u>, our two banknote suppliers: Oberthur Fiduciaire, a leading banknote printer, won their very first supply contract in Mauritius with the notes which we shall be launching today. De La Rue, our traditional supplier, has a much longer association with Mauritius, going all the way back to 1860 when they supplied us with the first ever banknotes that the company produced. De la Rue is the supplier of the Rs 500 polymer note that we launch today. <u>Third</u>, two technology partners: SICPA, which manufactures the special security inks for our bank notes; and the IT company CMA Business Systems, who have been working with us on the COMESA Regional Payments System, the Real Time Gross Settlement System, and the Cheque Truncation System. We thank them most sincerely for their generous support.

Our symposium will be successful only if we uncover new knowledge, form new partnerships for collaboration, if we establish new networks for continual communication across this vast continent and its island-states, and above all if we secure new professional friendships, to be nurtured over the years to come.

Colleagues and friends, just a word about financial inclusion and financial access in Mauritius. Mauritius is making slow, but steady progress in economic and social development, despite the global economic and financial crisis. The Bank of Mauritius has been working closely with Government in promoting SMEs through a Bank of Mauritius-managed scheme, now in its second year, extending credit for new start-ups. We have a Task Force hard at work on Unfair Terms in Financial Contracts, that have been subject of complaints by consumers, for their excessive cost, inhibiting development and trade.

A major innovation in banknote technology is the use of polymer to replace the traditional paper substrate. We are following in the steps of some of our African peers in the introduction of polymer bank notes. We trust that these notes, like our population here, will enjoy increasing length of life and security. Today's Symposium could not have been a more perfect timing for launching our polymer bank notes. Our Prime Minister has accepted to address us this morning when he will proceed with the official launching of these polymer notes. By this happy coincidence, AACB will forever be associated with polymer notes here in Mauritius.

Let me reiterate that I am delighted to have you with us here in our small island. I have no doubt that our meeting will be very stimulating and generate lots of ideas on how finance could promote inclusive growth.

Organising this meeting in this small island-state has been quite a challenge for us. I must therefore express my personal thanks to the AACB, the organising team at the Bank, the Office of the PM and the various agencies involved in the logistic arrangements for your reception. And I must add my personal thanks to the head of my office at the Bank for coordinating the whole thing.

I wish you a pleasant stay in Mauritius. I hope that our meeting will help to promote greater innovation and make a contribution to stimulate economic growth and prosperity in this great continent. In this way, we can validate the perennial and evergreen character and continued pertinence of the famous remark of the Roman historian, Pliny the Elder, who observed

"There is always something new out of Africa!"