

**SPEECH BY HON. MUSALIA MUDAVADI, DEPUTY PRIME MINISTER AND MINISTER FOR LOCAL GOVERNMENT DURING THE FINANCIAL REPORTING (FIRE) AWARDS PRESENTATION CEREMONY ON WEDNESDAY, OCTOBER 13, 2010 (7.00pm) AT THE KENYATTA INTERNATIONAL CONFERENCE CENTRE - TSAVO BALL ROOM**

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Thank you Chairman of the Nairobi Stock Exchange for the kind words of introduction, and thank you for having me at this award ceremony.

- **The Chairman, Directors and Chief Executive Officer, Capital Markets Authority (CMA);**
- **The Chairman, Council and Chief Executive; Institute of Certified Public Accountants of Kenya (ICPAK);**
- **The Chairman, Directors and Chief Executive; Nairobi Stock Exchange (NSE);**
- **Chairmen, Chief Executives of Listed Companies and of all companies participating in FiRe Award;**
- **Distinguished Guests;**
- **Ladies and Gentlemen:**

I find myself in a relaxed mood tonight. The reason is that I am among friends and long term colleagues whom I rarely meet these days. May I also acknowledge the joint effort of the Institute of Certified Public Accountants of Kenya (ICPAK), the Nairobi Stock Exchange (NSE) and the Capital Markets Authority (CMA) in the process that has brought us all together today.

Most of you know that the FiRe Award continues to serve as an important forum for the exchange of views and the ultimate recognition of excellence on regulatory matters, corporate governance, corporate social investments, emerging accounting issues, accounting standards, and auditing considerations. To this end I want to sincerely thank the Association of Chartered Certified Accountants, Kenya Accountants and Secretaries National Examination Board, the Retirement Benefits Authority, the Insurance Regulatory Authority, IQ Plus and Ufadhili Trust for supporting the FiRe Award.

As Economists, and Accountants, we all know the importance Capital Markets, Investors, Creditors and Regulators attach to accurate, timely and comparable financial information

from public companies. Transparent financial reporting allows investors to make informed decisions based upon a company's disclosures. A clear, concise, and balanced view into companies that source capital from our financial markets is essential to those who choose to invest in our markets since informed decision-making results in efficient capital allocation.

On July 1<sup>st</sup> 2010, we ratified the East African Common Market Protocol to facilitate free movement of capital, services, and citizens of the EAC States. On August 27<sup>th</sup> 2010, Kenya promulgated a new Constitution.

These two pieces of legislation herald larger markets; improved competitiveness; higher returns on investment for investors and a better quality of life for our people. Quality, current, financial information, and sound corporate governance, will increase investor confidence and attract the quantities of capital required to fund deficit areas like infrastructure.

The Constitution now provides financial markets with immense devolution benefits such as enhanced property rights, consumer rights, and access to information, and freer movement of persons and independence of the judiciary clauses, among others.

**Ladies and Gentlemen:**

I have noted your efforts to attract Local Authorities to take part in the evaluation process of the FiRe award. This is keeping with my ministry's vision that local government embrace the use of financial statements so as to afford themselves opportunities to raise funds. Regular, audited accounts on revenues collected and the use of these revenues will inspire investor confidence and interest, all of which can be funneled through public-private partnerships (PPPs).

We are therefore keen to use this Award in efforts towards improving transparency, accountability and financial management within local government. Indeed, the Constitution now makes it mandatory for stakeholders and residents participation in Local Government decision-making processes. Under a new devolved system, ratepayers have a right to information about the work of councils, which in turn enable them to provide informed feedback to councils. We are therefore likely to witness enhanced

democracy through greater communication between local government management and stakeholders.

**Ladies and Gentlemen:**

The world economy experienced its deepest recession in over 70 years recently. An estimated 34 million people lost their jobs. Through a coordinated effort by the G-20, involving extraordinary fiscal and monetary policy interventions, a depression has been staved off. After declining by 0.8 per cent in 2009, the world economy is expected to grow by 3.9 per cent this year driven largely by the momentum of China's industrial expansion, urbanization and modernization.

But this could be short-lived; the world economy may yet experience a second recessionary wave. We know that employment creation in developed countries remains weak. Large fiscal deficits and emerging asset price bubbles in Asia signal that the recovery is still fragile.

To stem the recession tide, the G-20 Summit meeting in Toronto in June 2010, issued a declaration to strengthen financial market infrastructure by accelerating the implementation of strong measures to improve transparency and regulatory oversight of hedge funds, credit rating agencies and over-the-counter derivatives in an internationally consistent and nondiscriminatory way.

Another declaration dealt with Accounting Standards, re-emphasizing the importance of achieving a single set of high quality improved global accounting standards. The International Accounting Standards Board and the Financial Accounting Standards Board were urged to complete the convergence project by the end of 2011.

I am glad to learn that the Capital Markets Authority has responded well to these international trends. In the last three (3) years CMA has introduced reforms to prevent systemic risk, and provision of a facilitative business environment. The result is that capital markets are now mobilizing greater amounts of investment capital. With automated infrastructure platforms, price discovery, trade settlement and investor dispute resolution have become visibly efficient, fair and transparent, hence boosting market confidence.

Further, by introducing enhanced net capital requirements and capital adequacy limits on market intermediaries, publishing of financial results by market intermediaries, and risk-based supervision, the governance and risk management issues that characterized the market about two (2) years ago have largely been addressed. What remains is to speed up the demutualization of the Nairobi Stock Exchange.

**Ladies and Gentlemen:**

Investor confidence is filtering back to the market. I want to congratulate the collective effort of the entire financial sector fraternity for making this to happen. But we ought to and must stay the course.

Once more, I wish to congratulate both the winners and all those institutions who submitted their accounts for analysis by the FiRe Award. I encourage you all to use the feedback provided to continuously improve. And after tonight, let us commit to the promotion of high ethical standards.

**Thank you, very much indeed for your attention.**