REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

PRESS STATEMENT

Tuesday 21st November, 2023

KENYA REACHES STAFF LEVEL AGREEMENT WITH THE IMF AND THE WORLD BANK ON FINANCING OVER THE MEDIUM TERM

IMF Supported Program

An IMF mission team, led by Ms. Haimanot Teferra undertook the sixth review of Kenya's program under the Extended Fund Facility (EFF)/ Extended Credit Facility (ECF) as well as the first review under the Resilient Sustainability Facility (RSF). This mission, conducted from 30th October to 15th November 2023 concluded successfully.

We have reached staff level agreement with the IMF staff on economic policies and reforms to conclude the sixth review of Kenya's program under the EFF/ECF as well as the first review of the RSF. In addition, a staff level agreement was also reached on augmentation of access under the EFF/ECF of SDR 707.3 million (about US $ 938 million). Subject to the executive board approval on the augmentation, the total IMF commitment under these arrangements over the duration of the program would be SDR3.34 billion (about US$4.43 billion).

Through the anchoring of policies to support economic growth and ensure debt sustainability, the program has helped mitigate the negative impact of global shocks associated with drought, inflation, unpredictable international commodity prices, and tighter external financing conditions.

We remain committed to the implementation of our IMF-supported economic program. The program remains broadly on track, which we consider crucial for maintaining macroeconomic stability and achieve high and sustainable growth rates.

World Bank Proposes US $ 12 billion in Support for Kenya Over the Next Three Years

On 20th November 2023, the World Bank announced that subject to the approval of the Executive Directors of new operations, and assuming the World Bank's lending capacity is not adversely affected, Kenya may receive total financial support of US $ 12 billion over the next three years. This support will be channelled through various financing windows of the World Bank, such as, IDA, IBRD, IFC and MIGA.

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Kenya's financing Strategy going Forward

In light of the uncertainty surrounding access to global bond markets, the government strategy has shifted to focus on seeking out concessional funding from the multilateral lenders like IMF and the World Bank and bilateral development partners, in addition to stepping up efforts to improve macroeconomic environment and carrying out the necessary structural reforms. Kenya will continue its efforts to access commercial financing when favorable market conditions permit.

Additionally, the government has made great strides toward the budgetary adjustments needed to alleviate debt concerns. This has been achieved by sustaining our efforts in revenue mobilization, reducing non-core spending while giving high-impact social and investment expenditure priority. As such, the fiscal deficit is projected to decline from 5.6 percent of GDP in FY 2022/23 to 4.7 percent of GDP in FY 2023/24 and further to below 4 percent of GDP in FY 2024/25.

Conclusion

Despite the liquidity challenges Kenya is facing, the macroeconomic environment remains stable, with real GDP expanding by 5.4 percent in the first half of 2023, primarily due to a robust recovery in the agriculture and services sectors. The monetary policy stance remains tight to anchor inflation expectations due to the sustained inflationary pressures, the elevated global risks and their potential impact on the domestic economy.

These developments confirm that implementation of Government reform measures aimed at rebuilding buffers, taming inflation, reducing debt vulnerabilities and strengthening the capacity of the economy to withstand external shocks is on track.

Kenya is committed to taking all necessary measures to revitalize its economy and ensure its long-term health and stability.

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CABINET SECRETARY