

## Press Conference

### World Bank approval of US\$ 1 billion Development Policy Operation for Kenya

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1. **Ladies and Gentlemen:** Let me take this opportunity to welcome you all to this press briefing on the successful approval of Kenya's request for **US\$ 1 billion** from the World Bank under the Development Policy Operation – *Phase two* – commonly referred to as **DPO2**.
2. The DPO is a series of **policy-linked reforms** anchored on the *Big 4 Agenda* namely **food security, affordable housing, universal health coverage, and manufacturing**.
3. The implementation of the big 4 priority areas is expected to **support higher and inclusive economic growth, faster job creation, and a reduction in the cost of living for the poor**. The Government recognizes that achieving these objectives will require sustaining economic growth, maintaining macroeconomic stability, and implementing reforms to provide an enabling environment.
4. The Government has been sustaining efforts to deliver on the Big 4 agenda. However, **public finances are constrained by weak revenue growth and increased expenditure pressures**. The **COVID-19 pandemic shock** has had a direct adverse impact on production in all sectors of the Kenyan economy. The COVID pandemic adding to the effects of **locust invasion** and current **floods** experienced in parts of the country **is expected to significantly slow-down economic growth**.
5. **Ladies and Gentlemen:** Our current **priority is to save life, contain the spread of the virus and protect livelihood**. The Government has re-allocated additional resources towards these interventions. We have also rolled out a wide range of fiscal and monetary policy measures to stimulate the economy. On the fiscal

front, the interventions will exert pressure on healthcare and social spending.

6. **The Government welcomes the approval of the World Bank Budget support of US\$ 1billion through this DPO. The support** is timely and will improve public finances position including the foreign exchange reserves level at the Central Bank of Kenya.
7. **The funds will be directed towards strengthening health systems, including providing better access to health services to safeguard people from the epidemic, improve disease surveillance, and public health interventions.** The funds will be used to finance expenditure approved by Parliament during the FY 2019/20 and subject to audit under the Public Audit law.
8. Although the pandemic has exerted pressure on expenditures, the **Government is committed to fiscal consolidation to safeguard debt sustainability.** The government is improving the efficiency of spending and reducing waste through measures to strengthen public financial management and systems reforms.
9. Let me take this opportunity to **thank the G20 debt suspension initiative for the low income countries.** While the initiative seeks to provide temporary debt relief to mitigate the effect of COVID pandemic, **Kenya is reviewing this package taking into consideration the structure of its public debt portfolio and the evolving macro-economic environment.**
10. **Ladies and Gentlemen: Kenya is taking a comprehensive approach in dealing with increased risk in public debt.** Improved **revenue mobilization and spending discipline** should reduce budget deficits, while best practices in debt management will help the Government manage public debt in a transparent and prudent manner. In the meantime, **the Government continue to use its access to concessional financing and minimize commercial borrowing.**

11. **In closing**, I wish to take this opportunity to **acknowledge the strong collaboration that exist between Kenya and Development Partners, particularly the World Bank** which has enabled the country implement a wide range of projects and programs for inclusive growth and development of the country.
12. Successful implementation of the set of policy actions under the **DPO required close and very intense engagement and commitment** of line ministries, departments and agencies with officials from the World Bank.

Thank you all.

**HON (Amb.) UKUR YATTANI**

**Cabinet Secretary, National Treasury and Planning**

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