



**REPUBLIC OF KENYA**  
**THE NATIONAL TREASURY & PLANNING**

**PRESS RELEASE**

Wednesday 7<sup>th</sup> April, 2021.

**FOR IMMEDIATE RELEASE**

**NAIROBI**, 7<sup>th</sup> April, 2021 – Cabinet Secretary (CS) for the National Treasury & Planning, Hon. (Amb.) Ukur Yatani, today held a bilateral meeting with Mr Abebe Selassie, the Director of the Africa Department at the International Monetary Fund (IMF).

During the meeting, CS Yatani thanked Mr Selassie for the IMF support throughout the COVID-19 pandemic noting in particular, the Fund’s interest-free loan of USD 739 million in May 2020 under the Rapid Credit Facility (RCF):

“The Fund’s immediate response by way of the USD 739 million interest-free loan, in May 2020, enabled the Government of Kenya to withstand the initial pandemic shock by providing much needed support in meeting increased spending on health and social protection”, he noted.

He went further to thank the IMF for the successful conclusion of Kenya’s blended 3year Extended Fund Facility (EFF) and Extended Credit Facility (ECF) negotiations with an access of 305% quota, which was approved on 2<sup>nd</sup> April, 2021:

“We note with appreciation the Executive Board’s approval of Kenya’s funding request under the EFF and ECF, which will not only strengthen our response to the COVID-19 pandemic, but also help us reduce our debt vulnerabilities through a revenue-driven fiscal consolidation, as well address structural and governance weaknesses in our state owned enterprises, while strengthening our monetary policy framework”, he pointed out.

The bilateral meeting also focused on Kenya’s economic performance through COVID19, preparations for the World Bank’s third Development Policy Operation (DPO III) for Kenya, the country’s progress under and push for an extension to the Debt Service Suspension Initiative (DSSI), with the following highlights noted:

*Economic Performance*

- ✦ Kenya’s tourism, trade, transport, educational and manufacturing sectors were adversely affected by COVID-19, the locust invasion as well floods in 2020, but managed nonetheless to register a growth of 0.6% on the back of a strong performance by the agricultural sector as a result of good rainfall.



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- ✦ The agricultural sector's strong performance, alongside the government's rapid deployment of the Economic Stimulus Programme (ESP) coupled with tax reliefs went a long way in driving the resilient economic performance.
- ✦ The economy is expected to grow by 7.0 % in 2021 on account of the resumption of international trade, strategic investments in the Big Four Agenda priority areas, stable inflation, interest and forex rates as well as growth in private sector lending and the credit guarantee scheme for MSMEs.
- ✦ The budget deficit for 2020/21 is at 8.7% of GDP, but will contract to 7.5% of GDP in 2021/22 and settle at 3.6% of GDP on the back of a solid fiscal consolidation effort pegged on:
  - *Raising* revenue
  - *Reducing* wastage and inefficiency
  - *Ring-fencing* development spending

*Development Policy Operation III*

- ✦ The USD 750 million Development Policy Operation III is aimed at delivering inclusive growth by focusing on reforms in four critical sectors:
  - Electricity Sector Reforms: strengthen Kenya's cornerstone utility and promote green energy.
  - Human Capital Reforms: strengthen the health and education sectors towards a resilient recovery and future.
  - Natural Capital (Land and Water) Reforms: promote inclusive and resilient green recovery.
  - Fiscal Reforms: promote transparent spending, unlock PPPs, enhance revenues and strengthen debt management.
- ✦ Kenya's Ministries, Departments and Agencies (MDAs) have delivered all prior actions for consideration by the World Bank under the DPO III.

*Debt Service Suspension Initiative (DSSI)*

- ✦ Kenya successfully applied for the G20 Debt Service Suspension Initiative on 18<sup>th</sup> December, 2020, effectively suspending principal and interest payments to bilateral creditors between January and June, 2021.
- ✦ Consequently, 10 Paris Club Creditors signed a Memorandum of Understanding (MoU) with Kenya on 11<sup>th</sup> January, 2021 with other 6 non-Paris Club Creditor following suit.
- ✦ Draft deferral agreements with each bilateral creditor are being reviewed and cleared by the Government of Kenya to give effect to this initiative.
- ✦ Kenya has been at the forefront for an extension of the DSSI to June 2022 in order to:
  - Yield additional external resources
  - Address debt vulnerabilities
  - Provide liquidity