



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

PRESS STATEMENT

Wednesday, 9th November, 2022

KENYA'S PROGRESS ON THE PROGRAM SUPPORTED BY THE IMF

Outcome of the Fourth Review

The National Treasury and Economic Planning wishes to inform the general public that the fourth review under the Extended Fund Facility/Extended Credit Facility (EFF/ECF) program that is supported by the IMF was successfully completed on 8th November 2022. This review was conducted from 25th October to 8th November 2022 through an in-person IMF Mission led by Mary Goodman and Tobias Rasmussen. Kenya sought and got approval of the 38 months EFF/ECF program from the Executive Board of the IMF on 2nd April 2021.

The program aims to, among others: strengthen Kenya's COVID-19 response and maintain support for those most impacted by shocks to the economy; reduce debt vulnerabilities through a revenue-driven fiscal consolidation and stabilize the growth in public debt; advance the structural reform, governance agenda and address weaknesses in State-Owned Enterprises (SOEs); and strengthen the monetary policy and support financial stability.

Based on the review, Kenya has made significant progress on fiscal adjustments required to address debt vulnerabilities. The Government met all the agreed quantitative performance targets as well as the indicative targets as at end June, 2022 under the program. Notably, tax collection exceeded the set target by 0.7 percent of GDP while both the primary balance and the Net International Reserve (NIR) targets were met by comfortable margins.

Upon approval of this review by the Executive Board of the IMF, Kenya will have access to SDR 336.54 million (equivalent to US\$ 433 million). This access includes an augmentation of SDR 162.84 million to the initial program that was agreed during this fourth review to cover among others, spending pressures due to the ongoing drought.

The program has strengthened Kenya's ability to navigate through the recent multiple shocks- the COVID-19 Pandemic, the impact of the war in Ukraine, the tightening global financial market conditions and the continuing drought affecting food and

energy prices. The economy has demonstrated remarkable resilience and grew by 6.0 percent in first half of 2022 (6.8% in Q1 and 5.2% in Q2 of 2022). Taking into account the adverse impact of the drought conditions, inflationary pressures as well other external pressures, the economy is projected to grow by 5.5 percent in 2022.

The New Administration has carefully reflected on the current environment and taken decisive measures to create fiscal space and sustain the reduction in fiscal deficit to signal the beginning of fiscal consolidation. The National Treasury and Economic Planning has rationalized the budget in line with the recent directive by H.E. The President. The National Treasury and Economic Planning has restrained emerging expenditure pressures but also safeguarded against contracting economic activity and will be proposing through a supplementary budget, a reduction in the fiscal deficit to 5.8 percent of GDP in the FY 2022/23 from 6.2 percent of GDP in the approved budget.

In July 2022 the Government received concessional financing from the IMF following conclusion of the third review. Additionally, engagements are ongoing with multilateral and bilateral financial institutions for concessional financing. We have noted a turnaround in domestic liquidity for Government securities in the recent auction. The Government will continue correcting for market failures and protect competitiveness to enhance the performance of the domestic financial market.

The Government will pursue policies designed to lower the cost of living, eradicate hunger and promote accessibility to affordable credit to Kenyans. The key focus will be to support agricultural productivity through lowering the cost of inputs. In this respect, the Government has provided fertilizer to farmers at subsidized prices. Through the Hustler Fund, the Government will target to support the vast majority of Kenyans with financial products that are accessible and affordable. The Hustler Fund is an intervention to correct market failures at the bottom of the pyramid where the Micro, Small and Medium Enterprises (MSMEs) and individual traders operate from. Finally, the Government will, among others, rollout interventions targeted at increasing the supply of affordable housing through low-cost mortgages.

PROF. NJUGUNA S. NDUNG’U, CBS
CABINET SECRETARY/THE NATIONAL TREASURY AND ECONOMIC
PLANNING