GRAY/21/972

March 31, 2021

Statement by Mr. Bhalla and Mr. Singh on Kenya
(Preliminary)
Executive Board Meeting
April 2, 2021

1. We thank the staff for their analytical reports and Ms. Mannathoko and Mr. Sitima-wina for their helpful Buff statement. In the backdrop of a high incidence of Coid-19-led surge in poverty and limited access to vaccines, as faced by most developing countries, we support the authorities' request for 38-month arrangements under the EFF and ECF with blended access as budget support. Going beyond the immediate liquidity needs, graduating to an upper tranche programme is important to tackle the structural imbalances, governance, SOE reforms, and reducing debt vulnerabilities, and support the developmental agenda. Since the assistance is for budget support, we believe that this should be backed by adequate transparency and governance. As the global external financing conditions have gradually returned to pre-COVID levels, sovereign spreads have compressed in a risk-on scenario. **In this backdrop, it would be useful to understand how far high-yield frontier market sovereign issuers like Kenya will be able to access international capital markets to lock in lower borrowing costs to bridge the financing gaps.**

2. We encourage authorities to accelerate efforts towards strengthening revenue administration and tax policy reforms. While we appreciate authorities' reversal of most emergency tax relief measures and the introduction of measures to improve tax performance amid the pandemic, we hope that the social safety nets for the vulnerable sections are continued until the economic incidence of the virus is contained.

3. We understand that to address concerns of illicit financial flows, corruption, and counterfeits, the authorities have undertaken the demonetization of high-value currency notes. **It would be instructive to understand the effectiveness of such measures in tackling corruption and containing the parallel economy.**

4. On governance, we very much appreciate the authorities' plan to ensure that comprehensive information, including beneficial ownership information of the awarded

entities, and progressive disclosures. We encourage authorities to accelerate the national risk assessment on money laundering and terrorism financing that will help Kenya develop an AML/CFT strategy as well as address the current deficiency in FATF requirements.

5. We wish the authorities the very best in their policy endeavours and the future programme.