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Statement at the Conclusion of an IMF Staff Mission to Kenya

An international Monetary Fund (IMF) staff mission, led by Mr. Michael Atingi-Ego, visited Kenya during February 23-March 6, 2009 to discuss recent economic developments and outlook in the context of the global financial crisis and possible IMF balance of payments support through the Rapid Access Component of the Exogenous Shocks Facility (ESF).

The mission met with Prime Minister Raila Odinga, Deputy Prime Minister and Minister for Finance Uhuru Kenyatta, the Governor of the Central Bank of Kenya Njuguna Ndung'u, other senior government officials and members of the private sector. The mission discussed the authorities' fiscal and monetary program for the remainder of 2008/09. The IMF team and authorities will continue their dialogue in the coming weeks with a view to finalizing discussions on an economic program that could be presented to the IMF Executive Board in late April or early May. If approved, the government's request for support under the Rapid-Access Component of the ESF could make available up to US$100 million to Kenya.

The following statement was issued at the conclusion of the mission in Nairobi:

"As Kenya began to recover from the economic impact of the post-election violence in early 2008, it was buffeted by a number of external shocks. High fertilizer and fuel prices, together with poor rains, resulted in a sharp decline in domestic maize supplies, a deteriorating external current account, reduced economic growth prospects and increasing inflation. The global financial crisis and sharp decline in economic growth in Kenya's main trading partners further eroded export prospects, remittances, and capital inflows. These factors contributed to a balance of payments deficit and the depreciation of the Kenyan shilling.

"Against this background, real GDP growth is likely to be lower, and inflation higher, than the authorities envisioned when the 2008/09 budget was submitted to Parliament in June 2008. In addition, the global financial crisis has made it unlikely that the government will be able to issue its sovereign bond or realize the domestic revenues and privatization proceeds previously hoped for and contained in the approved 2008/09 budget.

“In response, the authorities have implemented policy measures to address the adverse consequences of these shocks. These include the easing of monetary policy and exemptions of import duties and value added taxes on maize. Further measures will be implemented through the forthcoming supplementary budget, which would allow for an easing of fiscal policy to support domestic economic activity in the midst of reduced economic growth prospects. The government is also working towards a targeted food subsidy program while international donors have indicated their willingness to support acute drought mitigation measures through the World Food Program, which will ease pressures on government expenditures. A revised monetary program for 2008/09 will continue to aim to contain inflationary pressures while providing sufficient liquidity to support economic activity and rebuilding international reserves.

“In support of their macroeconomic policy adjustment, the authorities will continue to advance structural and governance reforms to address increased risks arising from the external shocks and to improve Kenya’s long-term growth potential.”