

STATEMENT

BY

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TO THE

SECOND COMMITTEE

ON

**AGENDA ITEM 18 (c):
"EXTERNAL DEBT SUSTAINABILITY AND DEVELOPMENT"**

DURING THE

70TH SESSION OF THE GENERAL ASSEMBLY

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Mr. Chairman,

Kenya aligns herself with the statements delivered by South Africa and Sierra Leone on behalf of the G-77 and China, and Africa, respectively.

My delegation welcomes this debate. We believe it is very timely in the context of our recent adoption of our new universal development agenda.

Debt sustainability will indeed be an important means of implementation of the agenda.

Mr. Chairman,

Kenya attaches great importance on the subject of debt sustainability. We continue to experience development challenges which, if not addressed, cannot only undermine our gains but also adversely impact on our efforts to achieve external debt sustainability.

The challenges include: a low export base, budgetary deficits, low commodity prices and the high cost of debt servicing.

I am pleased to inform that the Government has undertaken policy measures to address the challenges in question. Efforts are being made to promote value addition to our traditional export products. The shortfall in revenue collection is being addressed by financing Government requirements at least cost with a low degree of risk. In addition, measures are in place to ensure there is transparency in Government financial management in conformity with the constitutional requirement.

Mr. Chairman,

The Government has also adopted a medium-term national debt strategy aimed at ensuring that external borrowing is carried out on sustainable and responsible terms. The objective of the strategy is threefold:

- Pursue broad objectives through diversification of external source of financing;
- Lengthen the average time to maturity of the domestic debt portfolio; and
- Ensure there is high economic growth to reduce the primary revenue deficits.

In order to complement those measures, Kenya continues to seek new sources of funding to support macro-economic stability and achieve debt sustainability. This is in accordance with the new Public Finance Management Reforms Law.

We have a bias towards long-term debt whose objective is to reduce exchange rate exposure while containing the cost of debt. Most significantly, the focus is on fiscal transparency, quality of data and effectiveness of public financial management expenditure controls.

Mr. Chairman,

The Kenya national debt strategy sets a minimum level of 35 percent concession on all external borrowing. This high level concession has proved to be a negotiating challenge for lending. We are, however, considering negotiating semi-concessional rates on loans for key priority areas such as infrastructure and energy. We continue to give priority to sectors that have immediate high returns.

Our constitution provides for responsible borrowing while taking care of the interests of the future generations. Borrowing guidelines are provided by the new Public Financial Management Law.

Within the National Treasury, we have a Debt Management Office charged with the responsibility of advising the Government on external borrowing ceilings. Whereas the External Resources Department tracks external disbursements through an Electronic Project Monitoring Information System (E-PROMIS).

We believe the policy measures have helped improve the levels of disclosure by development partners. The E-PROMIS is linked to the Commonwealth Secretariat – Data Recording Management System (SCS-DRMS) managed by the National Debt Office of the National Treasury.

Mr. Chairman,

The Government continues to encourage high levels of disclosure on off budget support for various programmes and projects. The disclosure is being undertaken together with the Department of Government Investment and Privatization of Enterprises (DGIPE). This is important and helps alleviate cases of contingent liabilities. We are trying to ensure that the external borrowing does not exceed 2 percent of the GDP in the medium term.

Kenya's public sector debt remains sustainable with low risk of distress. Overall, fiscal policy and borrowing decisions have remained in line with the medium-term plans and our debt management strategy.

Our external debt has remained sustainable, largely on account of prudent borrowing on non-concessional terms while Government

guarantees have been limited to infrastructure projects such as energy related projects.

For the long-term, Kenya has planned a fiscal consolidation path of achieving a net public debt ratio of about 40 percent in 2017/18 and a deficit of 3 percent meeting the fiscal convergence criteria of the East African Community (EAC) Monetary Union. This is possible with the continuous strengthening of the legal and regulatory framework governing borrowing, supported by the oversight role the National Treasury, Central Bank of Kenya and the Parliament in setting borrowing ceilings.

I thank you.