The 2008-09 Financial Crisis and Developing Countries: Is the Recovery Taking Hold? Perspectives from Kenya

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Introduction and Background

- A Global Financial Crisis is in the offing. Attendant Recession.

- Mainstream discourse: Centred in the US/Europe. The North bearing the brunt.

- Southern countries not greatly affected. Raison d’être, not greatly integrated to the global economy.

- False analysis. Trade integration and supply side concerns transmit crises to an equally poorly/non-prepared environment.

- “Wait and see Response.” Disjointed/incremental policy response.
Triple Crises: Food, Fuel and Political

- Overarching Fear: Deepening Poverty, More people slipping into poverty.
- Macro Level shocks: Trade/Capital flows, Government Budget, Aid.
- Transmission mechanism can be influenced by Social Protection.
  - Public/Private Transfers
  - Prices
  - Assets
  - Employment
  - Access to Goods and Services.
Responses

• IMF backed Economic Stimulus Facility (ESF).

• Basis to stimulate growth. Pillars:

  • “Kazi kwa Vijana Programme.”, Agriculture, Infrastructure development.


• Loan not with a full scale IMF program (non-SAPs era).

• Key concern - Get inflation Level down to 5% by June 2010 - Slippery slope to full scale IMF programs (case of Ethiopia. Non IMF program in 2008, quick loan in January 2009 to fill scale program by August).
Cont’d

• WHY NOT A MORATORIUM ON SOVERIGN DEBT REPAYMENT??????

• Current Debt Levels, in the Excess of Ksh. 1 Trillion.

• Domestic Debt Vis a Vis External Debt.
Current Situation

. Economic Stimulus Package has come to an end. Mix results.

. Increased Debt Levels.

. Shrinking Aid Flows.

. Negotiations underway for a new facility (Key consideration).

. Sovereign Bond Float.

. Notable Growth.

. Expansionary Budget.
Asante Sana!!!!

Thank You!!!