

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

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Kiama Kaara, Kenya Debt Relief Network,

KENDREN

[Kiama.kaara@kendren.org](mailto:Kiama.kaara@kendren.org)

# Introduction and Background

- A Global Financial Crises in the offing. Attendant Recession.
- Mainstream discourse: Centred in the US/Europe. The North bearing the brunt.
- Southern countries not greatly affected. Raison d' etre, 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.
- Reversal on gains made ( 2003 -2007).
- 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.
- March 2009. Dar es Salaam IMF Meeting. May 2009. IMF Loan Ksh 15.7 Billion (\$209 Million) - First IMF Program under Unity Government.
- 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.

END

Asante Sana!!!

Thank You!!!