

The World Bank

Nairobi, Kenya



KENYA CONSULTATIVE GROUP MEETING 2003

Opening Address by the Chairman

Mr. Makhtar Diop

Country Director

Kenya, Eritrea & Somalia

November 24, 2003

Your Excellency President Mwai Kibaki,

President of the Republic of Kenya,

Your Excellency, Vice-President Moody Awori

Honorable David Mwiraria, Minister of Finance,

and Members of the Government

Honorable Speaker of the National Assembly

Honorable Leader of the Opposition

Honorable Members of Parliament

Members of the Kenyan Delegation

Ambassadors, High Commissioners and Members of

the Diplomatic Corps

Representatives of the Private Sector and Civil Society

Ladies and Gentlemen:

It gives me great pleasure to welcome you here today to this important meeting for Kenya.

I would like in particular to express my appreciation to His Excellency the President for honoring us with his presence here and for agreeing to deliver the keynote address that will set the tempo of this meeting.

This event is a milestone for the Government of Kenya and its people, together with their development partners. Not only is this Consultative Group Meeting the first for Kenya since 1996, but it is also the first time that this meeting is actually being held here *in* Kenya. This allows us to hold an important meeting for Kenya's future with the greater involvement of the President and his Government, as well as the Speaker of the National Assembly, leaders of political parties, heads of Parliamentary committees, Parliamentarians and a host of other stakeholders in Kenya's development process, including representatives of the private sector and civil society. This is how such meetings *should* happen, in an open and transparent forum.

Kenya gets a bad rap when it comes to its international image. Holding this meeting in Kenya allows it to showcase how significant a change has taken place, that Kenyans have taken matters in their own hands and through the democratic process put a Government in place that is genuinely committed to reform. On this point, we would like to congratulate the Government for engaging in a truly

consultative process for the preparation of the Economic Recovery Strategy and delivering a strategy that is focused on results.

To provide a framework for our deliberations, the World Bank and the development partners have worked together to formulate joint statements on the critical development issues and the way forward in all the key economic and social sectors. What we have done is to highlight the development challenges facing Kenya from our perspective as its external partners. The importance of our collective purpose here cannot be overstated: It is to discuss how we can contribute to Kenya's development, not just as individual donor agencies, but through *combining* our resources in support of the goals of its Economic Recovery Strategy. The importance lies in the *collective* action we envisage. Working *individually*, our cumulative impact on development is a matter of simple addition. Working *together*, our impact will be exponential, multiplied many times over.

The themes before us in this meeting are issues of historic importance for Kenya. **One of them concerns how Kenya can reclaim its status as the region's growth leader.** The painful irony is that Kenya still has all the resources needed to be the leader, but they have been mismanaged: It has an extremely dynamic private sector, whose potential has been suppressed by an inefficient and poorly-enforced legal structure, and by the high cost of doing business; it has people, who cannot find employment in a declining economy; and it has the infrastructure, which has deteriorated

dramatically as public resources for maintenance have been diverted to other purposes.

The key to reviving growth will be enabling the private sector to play its role, and to do so will mean creating the legal framework, reforming the financial system and lowering the cost of doing business. It will mean finding the right balance between the roles of the public and private sectors. Experience from across Africa and in Kenya itself is showing that the best role for the state is one of regulator, not manager or entrepreneur, while letting the private sector manage and allocate resources.

Private sector participation provides tremendous opportunities for rapidly improving the quality of services, and increasing job opportunities. Kenya has to embrace the reform that allowed its neighbors to bypass it, which should have been unthinkable for the long-time leader and the largest economy in the sub-region.

While growth is a necessary condition, it is not a sufficient one for reducing income inequalities and poverty. Kenya has one of the highest rates of inequality in Africa, and we must discuss ways to reduce it.

We believe that it is the time for the Kenyan Government to redefine its role. With the limited resources available, its priority should be to address the challenges identified by the people of Kenya. These include better health care for the poor, improved security, and better

access to clean water. While Kenya has achieved remarkable progress in providing basic education, it has done less well in other areas, such as basic health care and water provision. Addressing these needs will be critical to improve the living standards of the poor.

Another major challenge is HIV/AIDS. While during the last two years the prevalence rate has been reduced , there is still a lot to do and there is no room for complacency. This is an area, where working together has yielded results. We must continue to work hand in hand.

To open the discussion on these issues, Mr. Lars Ronnås, head of Sweden's delegation to this meeting, will make a statement on behalf of the donors, and Hon. Peter Anyang' Nyong'o, the Minister of Planning & National Development, will respond on behalf of the Kenya Delegation. Given the extreme importance of this topic, we are leaving virtually the entire afternoon for its discussion, and I look forward to an open and stimulating debate.

Public Expenditure Management is also a vital topic for Kenya's development. This is not an issue for the accountants; it concerns us all. This is because it is really about ensuring that Kenya's scarce resources get to their intended targets. The challenge is how to put in place the systems to guarantee that the budget and expenditure process is focused on development priorities. Public expenditure reviews are a particularly useful tool in this regard, as it allows us regularly to reassess the pattern of public expenditure. We need to ensure that there is complete integrity and transparency in the use of

public funds and this will involve keeping up the good initiatives that the Government has already launched to end corruption. As you often say yourself, the fight against corruption is a long and constant battle. Stronger budgetary processes will certainly increase the confidence of the donor community in providing more substantial budget support to the country.

This will be our first topic tomorrow morning. Mr. Gary Quince, Head of Delegation for the European Commission, will make a statement on behalf of donors, while the Hon. David Mwiraria, Minister of Finance, will make a statement on behalf of the Kenya Delegation.

Reforming the public sector is a theme raised by you yourself, Mr. President, in the NARC Manifesto, which points out the need to make Government less bloated and more efficient. The demand for a Government that is more efficient and responsive comes not from donors, but from the people themselves, who are weary of dealing with a bureaucracy that does not serve them well, that makes them wait endlessly for basic services, and that, in brief, does not seem to *care*. Kenya has many more civil servants than other African countries. There are today about 150 parastatals. This is a lot. Here there is room to rationalize Government intervention and provide more space for the private sector.

Your Excellency, as mentioned in the ERS, decentralization is an essential way of empowering the people of Kenya and of giving them the right and the opportunity to set their own priorities. The Arid

Lands program demonstrates that when communities are given the opportunity to set priorities they can significantly improve their well being.

In addition, recent experience in Africa has shown that often local authorities, faith-based organizations, and non-governmental organizations can deliver services to the population with more impact, at a lower cost, and with better accountability than the central government.

This point is related to the one about the management of public resources. Kenya has one of the lowest rates of public investment in Africa –around three percent – and this means that it has not put money into the schools, the hospitals, or rural feeder roads that it so desperately needs. This is because its scarce public resources are tied down by recurring expenditures, mostly salaries, that produce all too little.

Introducing this topic, Mr. Steven G. Wisecarver, Head of Delegation for USAID, will make a statement on behalf of donors, and Hon. Chris Murungaru, the Minister of State for Provincial Administration and National Security, will make a statement on behalf of the Kenya delegation.

In order for us to address Kenya's priority needs, we must work together, not separately. **Donor harmonization is a key topic before us.** Our challenge as donors is to help you get results on a

national scale – to provide all the assistance within our means to help you make progress towards the Millennium Development Goals and others goals set by the country. To do so, we must end the practice of separate and uncoordinated donor initiatives. Kenya is a signatory to the Rome Agreement on donor harmonization, and now is the moment to engage ourselves in this process. We know it can work, because it is beginning to work in countries throughout the region. Now that Kenya has its Economic Recovery Strategy, the task is simplified. In order for donor harmonization to work, Government must prepare sectoral strategies, around which donors can coordinate their support. In our view, this is the best way for Government to stay in the driver’s seat.

As I stated at the outset, working together there is nothing we cannot achieve; working apart, we are condemned to repeating the errors of the past.

To introduce this topic, Mr. David Batt, Head of Delegation for DFID, will read a statement on behalf of donors, and Hon. David Mwiraria, Minister of Finance, will read a statement on behalf of the Kenya Delegation.

These discussions will be followed by a session on Kenya's external financing requirements – the so called “pledging session.” I think that we will find that there is now a great deal of common and more fertile ground upon which to build our financial and technical assistance to Kenya. Donors are now fully engaged and wish to increase their

financial support and we hope that by commenting on the Economic Recovery Strategy at this stage the final document will be able to build a strong component of donor assistance linked to its successful implementation.

Before ending, Mr. President, I would like to call attention once more to the historic nature of this gathering, by recalling an event in which you yourself participated. It was in Nairobi exactly three decades ago, that then President of the World Bank Robert McNamara made his ground-breaking speech asking to focus our efforts on putting an end to poverty and human suffering.

Under the leadership of our current President, James Wolfensohn, this agenda has taken a new life. The process centered around the Poverty Reduction Strategy allows the donors to concentrate resources on the priorities identified by the people and Government of Kenya. As he reminded us during his recent visit, there is a unique opportunity today in Kenya. We have a government that has the popular support for change; and we have a donor community that has embraced the need of coordination around Kenya's own strategic objectives. We have a civil society and a private sector who are willing to support the Government in its effort to realize Kenya's huge potential.

Let us not let this moment slip by.

Thank you.

It is now my pleasure to turn to my co-chair, the Minister of Finance.