COVID-19 was declared a global pandemic twelve months ago and has since evolved from a health crisis to deep economic and social crisis. Countries in Africa are bearing the brunt of the pandemic and is now experiencing a debt crisis. The pandemic is deepening inequalities and threatens to erode years of progress on poverty reduction and women’s rights.

The Covid pandemic found Kenya already grappling with an economic contraction associated with falls in revenue, lower foreign exchange earnings and higher fiscal and debt burdens. In the wake of the current crisis, several countries in the region will face severe challenges in bringing the pandemic under control while at the same time trying to stimulate their economies, and procure and roll out vaccination programmes, while allocating resources towards social protection programmes.

TISA/Okoa Uchumi in partnership with the African Forum and Network on Debt and Development (AFRODAD) convened a virtual meeting on 22th March 2021 to discuss the current debt problem Kenya. Specifically the meeting sought to deliberate on the significance of the IMF Special Drawing Rights (SDRs) program in the Kenyan context.

**Mindful that:**

Kenya was already facing an imminent debt challenge prior to the COVID-19 pandemic and had moved from a stable debt position to one that was rapidly approaching the point of debt distress. In 2019 Kenya’s external debt service was already three times above the 21% IMF threshold.

Kenya’s rapid debt accumulation has been driven by the ballooning fiscal deficit which increased from about -6.1% in 2013/14 to -7.9% in 2019/20 as a share of GDP. The deficit is driven by investment in questionable large
scale infrastructure projects, some of which have become marred by corruption.

Even prior to the pandemic the rapid build-up of Kenya’s public debt and rising debt servicing obligations had placed a squeeze on development spending, leading to service delivery, incomplete projects, pending bills, and fuelling unplanned public borrowing.

Even prior to the pandemic revenue collection was falling due an unfavourable business environment attributed in part to increased domestic borrowing by government. Government has responded to the revenue shortfall by increasing taxation with negative impacts on the business investment environment.

Debt management and reporting practices have not complied with the constitutional and statutory requirements for transparency and accountability. These loopholes have been exploited to steal billions in covid funds through regular procurement, denying millions of Kenyans access to much needed services.

**RECOGNISING** the steps taken by the World Bank (WB), the International Monetary Fund (IMF), and the G20 under the Debt Service Suspension Initiative (DSSI) and the Common Framework, while provide immediate fiscal liquidity to developing nations, do not address the core global debt and financial architecture inequalities.

That the government of Kenya has outlined several measures to mitigate debt the crisis, including policy reforms, fiscal consolidation, measures to reduce waste, debt moratorium with external lenders.

**AWARE** that a new issuance of Special Drawing Rights (SDRs) by the IMF would create immediate additional liquidity for Kenya to increase fiscal space for Covid-19 responses including the procuring and roll out vaccination programmes in the region and strengthen healthcare systems.

**COGNISANT** that SDRs are part of the immediate interventions in addressing the current public debt challenge in the region

**CONVINCED** the issuance of SDRs are one of the short-term financing options to fight against COVID-19 and African economic recovery, given the current debt stock in the SSA Region;

The Okoa Uchumi Coalition and AFRODAD:
**STRONGLY RECOMMEND** the IMF highly consider issuing a new allocation of SDRs as a fast way of providing immediate relief to countries that are liquidity constrained because of the health and economic crises resulting from the COVID-19 pandemic and other economic challenges prior to the emergence of the Covid-19;

**URGED** Kenyan government to take deliberate steps in strengthening the oversight role of parliaments in public financial management by fostering transparency and accountability in the debt management process.

**ENCOURAGE** Kenyan government to transform its economy and move towards sustainable options of addressing current liquidity challenges including pursuing resilient debt architecture.

- More effective oversight in debt management
- Make debt sustainable in the long term, by cutting spending on infrastructure projects that have negative returns.
- Post Covid recovery investments must be cascaded all the way to the lowest level through effective devolution.
- Prioritise investment in labour-intensive sectors in particular agriculture which also demonstrated resilience during the Covid pandemic.
- Focus on ensuring tax compliance and collection, rather than increasing taxes from already strained households and businesses, in particular tax exemptions to corporations which have become a major drain on public revenues.
- Ensure the budget forecasts are based on realistic fiscal projections based on credible data from transparent sources.
- Ensure the disclosure of debt related information in compliance with the laws of Kenya.

- Ensuring independence of the national debt office and other offices

**CALL upon** Kenyan government to join the campaign for debt cancellation in addition to current debt relief and restructuring mechanisms still falling short of effectively providing sustainable solutions.

**We are calling on Kenyan government to support a new allocation of IMF Special Drawing Rights (SDRs) to the amount equivalent of US$3 trillion.**
SIGNED BY

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