Board Meeting of September 24, 1998
Statement by Juan L. Cariaga

Kenya – Country Assistance Strategy

The proposed Country Assistance Strategy (CAS) for Kenya describes the challenges facing the country and raises a number of concerns. We appreciate the extensive and candid information that has been provided by Management and staff, both in this CAS and previously, which has helped us to better understand the many challenges Kenya faces and why it has not reached its economic potential.

Nevertheless, the problems presented in the CAS are straightforward and can be summarized by the recent Kenya Country Assistance Note (CAN) urging “...only a very limited lending strategy for well targeted interventions would appear to be justified.” Overall, we find that the CAS follows such a strategy and welcome this more systematic approach which targets three closely related areas -- public sector restructuring, public expenditure management and strengthening of accountability mechanisms -- and that it is appropriate. Full implementation will require sustained efforts beyond the CAS period, but if done effectively, will begin improving economic governance and public sector performance. The Bank’s assistance will be instrumental, and while the challenges are many, it is important that the Bank undertake it.

As such, we are pleased that the Bank remains committed to economic development in Kenya and that the government has indicated its intention to begin public sector reform. No society and no country can be exempt from the concerns raised by poor economic governance and these are necessary steps where the Bank can make an effective contribution. This is especially important both because of the need to re-establish such basic building blocks, but also because of the support this will provide to many stakeholders, and indeed to many within the government, concerned with economic development.

At the same time, it is important to stress that not much funding is required in order to improve economic governance, but rather a strong, concerted and sustained effort by the Government of Kenya, other stakeholder groups in Kenya and the donor community. As part of such an effort, we support plans to make the Bank’s work in Kenya much more open, consultative, and collaborative. Thus, the mix between lending and non-lending activities will have to shift towards the latter, as well as from analytical and prescriptive work to activities that facilitate broad-based and Kenyan-led efforts to tackle economic
governance problems. We also agree with one of the lessons the Kenya Country Team identified in preparation of this CAS. This is that Bank “...conditionality cannot substitute for GOK commitment.”

While a full reading of the CAS might lead to some pessimism, we find that there are also encouraging factors. This is not based on the daunting challenges the country faces, but rather on the candid identification of the problems that exist, the nature of the Bank’s strategy and its commitment to Kenya and, most significantly, the reaction of Kenyans “across the board” both within and without the government, stakeholders, NGOs and other donors.

The low case scenario is very much determined by slow disbursements of the current portfolio, cancellation of the second tranche of the SAC, and the diagnosis of poor economic governance. However, the CAS also notes important GOK reform initiatives which, if followed through, would pave the way for a base case lending scenario. The present situation may not warrant the design of a high case scenario, but this Chair hopes that in the near future, improvements will be initiated and continue in order to make a high case possible.

Although the El Nino Emergency Project was only approved in July, we believe a brief status report on its implementation useful for consideration of this CAS and would appreciate staff providing available information.

Finally, there are undoubtedly many risks inherent in continuing Bank programs in Kenya. We believe that this CAS has carefully weighed them and concur that the low base scenario offers opportunities for real assistance to Kenya through strengthening essential building blocks and the hope that improvements in the situation will trigger increased activity over the longer term.