# IMF RESPONSE TO STUDY IN KENYA

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Here is the official IMF response to your latest study. Please, kindly post the response on your website: The study recently released by the Center for Economic Governance and Aids in Africa titled "Evidence of the Impact of IMF Fiscal and Monetary Policies on the Capacity to Address the HIV/AIDS and TB Crisis in Kenya" contains a number of inaccuracies that warrant correction.

The study presumes erroneously that IMF policies limited health spending in Kenya. The opposite is true. During 2003-2007, the IMF's Poverty Reduction and Growth Facility, which was based on the government's own Economic Recovery Strategy for Wealth and Employment Creation, provided a total of US$ 240 million in support of the government's policy of increasing spending on priority areas, including health, education, and infrastructure.

The government's own economic program aimed at restoring macroeconomic stability, which had been threatened by mounting fiscal deficits and rising inflation. One-third of public spending was accounted for by wages and salaries, severely limiting the government's ability to target spending at priority areas, including social spending. Limiting the overall wage bill was critical to the government's objective of ensuring that adequate resources were made available for priority non-wage recurrent and development spending, including in the health and education sectors. The wage bill fully incorporated the government's plans for hiring additional health and education sector workers.

More broadly, there is no contradiction between economic stability and eradicating HIV/AIDS and TB. The two are in fact mutually supportive. Combating HIV/AIDS and TB will require a steady source of financial resources, which can only be assured in an environment of economic stability and growth. This does not preclude flexibility in the face of temporary shocks, and the IMF fully supported the increases in the fiscal deficit in 2007/08 and 2008/09 in response the global financial crisis, the attendant world economic recession, and the drought. Last June, the IMF provided US$210 million to Kenya under its Exogenous Shocks Facility to help the country cope with the impacts of these shocks in a manner that would allow for increased spending in key social sectors and in infrastructure. This assistance came with no conditionality.

The IMF welcomes an open dialogue with all parties interested in the design and implementation of economic policies designed to promote economic growth and employment, reduce poverty, and increase the effectiveness of public finances.