HARAMBEE

REPUBLIC OF KENYA

STATEMENT BY HIS EXCELLENCY HON. WILLIAM SAMOEI RUTO, Ph.D., C.G.H., PRESIDENT OF THE REPUBLIC OF KENYA AND COMMANDER-IN-CHIEF OF THE DEFENCE FORCES, ON REFORMS OF THE INTERNATIONAL FINANCIAL INSTITUTIONS IN THE CONTEXT OF CLIMATE CHANGE AND OTHER GLOBAL CRISIS

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Your Excellencies,

1. Let me begin by congratulating Prime Minister Mia Mottley for her steadfast leadership in advancing reforms of international financial institutions. What was once dismissed as a fringe issue now stands at the centre of global discourse.

2. At the inaugural Africa Climate Summit, which we hosted in Nairobi in 2023, financial reform was a central theme, firmly reflected in the Summit's outcome.

3. Yet, despite progress in the debate, we have not seen meaningful change in practice.

4. Today, at least 21 African countries are in or at high risk of debt distress. Fiscal space is limited, debt servicing is high, and both development and climate finance flows are offset by these costs. On average, debt service consumes 13.5% of government spending, far exceeding expenditure on essential social services such as health and education. Many of these countries have lost market access, unable to secure new capital or refinance at sustainable rates and tenors. This comes amid declining ODA, geopolitical tensions, and shrinking fiscal room. For most of our countries, market access is constrained, multilateral development bank (MDB) resources remain inadequate, and development prospects are under severe strain.

5. These macroeconomic realities directly undermine climate and development action. Investment is deterred by currency volatility, limited convertibility, and high debt servicing. The truth is that most African economies will remain dependent on IDA or IDA-blend resources for the foreseeable future.

   If macroeconomic fundamentals are broken, neither climate nor broader development investment can flow.

6. That is why refinancing, and, for the most distressed, restructuring, must be central to the reform agenda. Macroeconomic stability is not a technical matter; it is the foundation of progress. Without it, our shared commitment to climate and development finance will remain aspirational.

Excellencies,

7. Allow me to highlight five priorities:

   a) **Debt Restructuring and the Common Framework** – Restructuring must be fair, timely, and effective. The IMF's Common Framework must be reformed to deliver real relief, not merely more process.

   b) **Replenishment of Concessional Windows** – IDA and the African Development Fund (ADF) are lifelines for Africa and other developing regions. Unless replenished at scale, development finance will remain severely constrained.

   c) **Capital Adequacy and MDB Reform** – Balance sheet optimization is insufficient. It cannot deliver the trillions required. AfDB's issuance of $750M in hybrid capital over two years is commendable but marginal compared to the challenge. MDB capital increases are essential.

   d) **IMF's Resilience and Sustainability Facility (RSF)** – Special Drawing Rights (SDRs) were intended to support climate action and resilience. They must not become another instrument of conditionality. The RSF, designed to channel SDRs for climate, has become an add-on to IMF programs, bound by traditional conditions. SDRs must serve people, not procedure.

e) **Energy Sector Integration** – IMF Debt Sustainability Analyses must account for energy sector reform. Without significant investment in power systems, green industrialisation will remain a deferred dream.

8. Colleagues, the reality is clear: in the coming years, most climate and development finance will flow through the IMF and MDBs. Without reform and replenishment, our calls, however passionate, will remain rhetorical. MDB reform is the only path to meaningful, scalable financing in the foreseeable future.

9. This requires a united stand and a strong, collective voice from Africa, the Caribbean, and across the developing world. Only together can we ensure that the international financial system becomes an enabler of resilience and prosperity, rather than a structural barrier.

Thank you.

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