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World Bank is wide awake to corruption in Kenya

By Gobind Nankani

From Mr Gobind Nankani.

Sir, Michael Holman ("The donors who turn a blind eye to Kenyan sleaze", February 16) claims that the World Bank has continued lending large amounts of money to Kenya without regard for corruption there.

This is simply not true. Below are the facts, which are publicly available on our website www.worldbank.org.

During much of the 1990s in Kenya concern over corruption led to significant reduction in new World Bank lending, lasting several years.

As a result, during the second half of the decade, our annual net disbursements to Kenya averaged \$17.6m a year compared with \$80.5m a decade earlier.

Between July 2004 and January 2006 when concerns about corruption again intensified, net disbursements from the bank to Kenya totalled \$12.1m, reflecting extra caution and due diligence.

Mr Holman's commentary appears to assume that the bank's support to Kenya is in the form of direct budget support. However, the World Bank has not approved new budget support for Kenya since 2001.

Instead, we are financing projects that provide for school construction and textbooks, well and borehole drilling, road construction and HIV/Aids prevention and care.

Well before the release of John Githongo's report, bank management decided to hold back five projects - amounting to commitments of \$260.5m - pending the completion of audits led by the bank's internal anti-corruption specialists and government action addressing any issues that may arise.

When the Board met on January 24 2006, it fully endorsed this decision as a way of sending a strong signal to Kenyan authorities about the bank's seriousness about corruption.

At that meeting the board also approved two investment projects that were the first World

Bank loans for Kenya since October 2004. One, the East African Community Trade and Transport Facilitation Project, is a regional operation to benefit Kenya and three other east African countries and aims at improving transportation while promoting customs reform.

We believe that these reforms will reduce corruption, particularly at port and border crossings, and will boost trade benefits for the four countries.

We also believe that in order to reduce the corrosive impact of corruption on growth and poverty reduction in a sustainable way, it is important to tackle the root causes that affect all government spending (\$5.8bn this year), not just the portion financed by external resources.

The second project approved in January (the Institutional Reform and Capacity Building Project) does exactly that by strengthening budgeting and expenditure tracking, audit and procurement systems, and the fiduciary oversight by parliament.

Far from being "ironic", this will improve Kenyan institutions' capacity to detect and prevent graft.

Over the past several months the government has taken important anti-corruption actions such as passing a landmark procurement bill that makes security procurement (like those associated with Anglo Leasing) transparent. Recently, it has also begun enforcing political accountability.

We strongly urge the government to continue and intensify such actions, and stand ready to assist further as needed.

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