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ROOM C-120

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EBD/84/145

May 18, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Kenya - Exchange Arrangements

The attached paper on a devaluation of the exchange rate of the Kenya shilling is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Kenya--Exchange Arrangements

Prepared by the African Department and the Exchange
and Trade Relations Department

(In consultation with the Legal Department)

Approved by Louis M. Goreux and S. Kanesa-Thanan

May 18, 1984

In the attached communication dated May 15, 1984, the authorities of Kenya have notified the Fund of a devaluation of the exchange rate of the shilling. With effect from May 15, 1984, the exchange rate is K Sh 14.786818 = SDR 1. This represents a devaluation of 1.5 percent with respect to the previous rate of K Sh 14.562464 = SDR 1 adopted on April 16, 1984, and a cumulative 2.5 percent devaluation with respect to the exchange rate set on July 18, 1983. ^{1/} The Kenya shilling remains pegged to the SDR, within margins of 2.25 percent on either side of the new rate of K Sh 14.786818.

Kenya's exchange rate and related policies were reviewed on May 17 by the Executive Board in concluding the 1984 Article IV consultation discussions and the review under Kenya's stand-by arrangement with the Fund. The depreciation of the Kenya shilling, including the recent action, has maintained the real effective exchange rate virtually constant since the inception of the present program with the Fund. Directors noted that continued flexibility of exchange rate policies will be needed to maintain competitiveness in the export sector.

Attachment

^{1/} EBD/83/333 (12/22/83).

TO: INTERFUND
WASHINGTON, DC

FROM: KENYABANK
NAIROBI, KENYA

MAY 15, 1984

FURTHER TO OUR CABLE DATED APRIL 16, 1984 WE WISH TO INFORM YOU
THAT THE CENTRAL RATE OF THE KENYA SHILLING IS NOW SHS 14.786818 TO ONE
SDR EFFECTIVE MAY 15, 1984 AND IS SUBJECT TO MARGINS OF 2.25 PERCENT ON
EITHER SIDE OF THE PEG.

CENTRAL BANK OF KENYA
NAIROBI

Received in Cable Room: May 15, 1984