

EBS/83/204

CONFIDENTIAL

September 15, 1983

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

The attached paper on the exchange arrangements of Kenya is circulated for the information of the Executive Directors.

Att: (1)

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 Oumar B. Makalou and W. Beveridge

September 15, 1983

In a communication dated September 5, 1983 (attached), the Central Bank of Kenya has notified the Fund that, effective July 18, 1983, the rate of the Kenya shilling was changed from SDR 1 = K Sh 14.060000 to SDR 1 = K Sh 14.417241. This represents a depreciation of 2.48 percent vis-à-vis the SDR. The Kenya shilling has been pegged to the SDR since October 27, 1975; since that time the Kenya shilling/SDR rate has been modified on February 3 and September 21, 1981 and twice during December 1982.

In the same communication, the Central Bank of Kenya has also informed the Fund that, starting July 18, 1983, Kenya avails itself of margins of 2.25 percent on either side of the Kenya shilling/SDR peg.

A key instrument of the Kenyan authorities' financial program supported by an 18-month stand-by arrangement with the Fund approved on March 21, 1983 is the pursuit of a flexible exchange rate policy. In the view of the Kenyan authorities, the introduction of the above-mentioned margins around the fixed Kenya shilling/SDR rate is designed to facilitate the implementation of a flexible exchange rate policy.

The staff has been in close contact with the Kenyan authorities and will inform the Executive Board of any further developments regarding Kenya's exchange system.

Attachment

INTERFUND
WASHINGTON, DC

SEPTEMBER 5, 1983

FURTHER TO OUR CABLE DATED 8/3/83 WE CONFIRM THAT THE CENTRAL
RATE OF THE KENYA SHILLING IS 14.417241 TO ONE SDR EFFECTIVE 7/18/83,
AND IS SUBJECT TO MARGINS OF 2.25 PERCENT ON EITHER SIDE OF THE PEG.

CENTRAL BANK OF KENYA
NAIROBI

Received in Cable Room: September 5, 1983