

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/85/86

CONFIDENTIAL

April 4, 1985

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

There is attached for the information of the Executive Directors a paper on a recent change in the exchange arrangements of Kenya.

If Executive Directors have technical or factual questions relating to this paper, they should contact Mr. Quirk, ext. 8520.

Att: (1)

CONFIDENTIAL

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 A.D. Ouattara and W.A. Beveridge

April 4, 1985

In the attached communication dated March 29, 1985, the Central Bank of Kenya has notified the Fund of a devaluation of the exchange rate of the shilling. With effect from March 29, 1985, the exchange rate is K Sh 15.896735 = SDR 1. This represents a devaluation of 4.5 percent with respect to the previous rate of K Sh 15.187159 = SDR 1 adopted on November 16, 1984, and a cumulative 9.3 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 15.896735.

A key instrument of the Kenyan authorities' financial program supported by a 12-month stand-by arrangement which entered into effect on February 8, 1983 is the pursuit of a flexible exchange rate policy. The recent depreciation of the Kenya shilling represents the continuation of efforts to maintain the competitiveness in the export sector.

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

MARCH 29, 1985

FURTHER TO OUR CABLE DATED 16 NOVEMBER 1984 WE WISH TO INFORM
YOU THAT THE CENTRAL RATE OF THE KENYA SHILLING IS NOW K SH 15.896735
TO 1 SDR EFFECTIVE MARCH 29, 1985 AND IS SUBJECT TO MARGINS OF
2.25 PERCENT ON EITHER SIDE OF THE PEG.

CENTRAL BANK OF KENYA
NAIROBI

Received in Cable Room: March 29, 1985