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MASTER FILES

ROOM C-120

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EBD/85/226

August 29, 1985

To: Members of the Executive Board  
From: The Acting 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.

Mrs. A. Mitchell (ext. 8526) is available to answer technical or factual questions relating to this paper.

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 A. D. Ouattara and W. A. Beveridge

August 29, 1985

In the attached cable dated August 19, 1985, the Central Bank of Kenya has notified the Fund that on August 16, 1985 the central exchange rate of the Kenya shilling was KSh 17.737761 = SDR 1, representing a gradual cumulative depreciation of 8.96 percent against the SDR since the central rate modification on June 28, 1985 was notified to the Fund.

The Kenya shilling has been pegged to the SDR since October 27, 1975. In September 1983 the Central Bank of Kenya informed the Fund that with effect from July 18, 1983 Kenya availed itself of margins of + 2.25 percent about the Kenya shilling/SDR peg. These margins have been used to assist in the implementation of the flexible exchange rate policy which was an element of the program supported by the 18 month stand by arrangement for Kenya approved on March 1983, and which also forms part of the program supported by the present stand-by arrangement that became effective on February 8, 1985. The central rate vis à vis the SDR basket was modified on June 28, 1985, from KSh 15.896735 = SDR1 to KSh 16.148906 = SDR1, a depreciation of 1.56 percent in terms of the SDR (SM/85/224, 8/8/85).

The most recent changes in the exchange rate of the Kenya shilling followed a period in which the real exchange rate had appreciated, and were intended to correct that situation, in keeping with the flexible exchange rate policy. A staff mission has recently visited Kenya to conduct the Article IV consultation discussions and to review progress under the present stand-by. The staff report, which will include an assessment of exchange rate policy, will be issued to the Board shortly.

Attachment

ATTACHMENT

INTERFUND  
WASHINGTON, D.C.

August 19, 1985

FURTHER TO OUR CABLE OF 28 JUNE 1985 WE WISH TO INFORM YOU THAT THE  
CENTRAL RATE OF THE KENYA SHILLING IS NOW SHS 17.737761 TO 1 SDR  
EFFECTIVE 16 AUGUST 1985 AND IS SUBJECT TO MARGINS OF 2.25 PERCENT ON  
EITHER SIDE OF THE PEG STOP.

REGARDS  
PHILIP NDEGWA  
CENTRAL BANK OF KENYA

Received in the Cable Room: August 19, 1985