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KENYA.



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10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S

23 July 1979

PERSONAL MESSAGE

SERIAL No. T49B/79T

My dear President,

I was delighted that your very successful State Visit to this country gave us the opportunity for a thorough exchange of views on a wide range of issues. I found our talks most valuable and look forward to continuing them at the Commonwealth Heads of Government Meeting.

Before you left, you sent me a letter setting out in greater detail the economic difficulties which your government is now facing, particularly with regard to the burden of payment for defence equipment.

We have examined this question carefully. But the government-backed finance provided to cover these purchases is already on the most favourable terms possible for transactions of this kind, so I have to tell you that we see no possibility of providing additional relief on the defence expenditure side.

The overall problem you have described is essentially one of improving the flow of foreign exchange, regardless of the specific heading of expenditure, and it was in recognition of this more general problem, of which the defence expenditure burden is, of course, a part, that I was able to tell you of our offer to transfer £15 million as a programme aid grant from the £80 million already pledged for project aid for the 1979/82 triennium. We are ready to sign the necessary agreements. This should have the direct effect of accelerating the flow of foreign exchange to the benefit of your balance of payments.

/ I am sure

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I am sure your intention to cast your net as widely as possible is right. Resources may be available to you from the international financial institutions as well as from your major bilateral aid donors and suppliers of defence equipment.

I recognise that this £15 million programme grant does not go as far as you would wish, but I hope you will accept my assurance that, particularly at a time when our own public expenditure is under severe pressure and when we have ourselves to overcome balance of payments difficulties, it is the best immediate response we have been able to make to your current needs. We will continue to keep the problem under active review and you may be sure that Kenya will remain among our highest priorities.

Yours sincerely,

Raymond Imbete

His Excellency The Honourable Daniel T. Arap Moi.