

ops



subject copy filed on: -

STATE HOUSE

P O BOX 40530

Kenya : Relations : June 79

NAIROBI, KENYA

Ref. No. ZZ 95/010

16th August, 1982

Dear Prime Minister,

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 161A/82

REQUEST FOR EMERGENCY BALANCE OF PAYMENTS SUPPORT

You are no doubt aware of the disruptive events of 1st August, 1982, during which some misguided elements in the Kenya Air Force caused substantial damage to life and property in Nairobi. Those elements have now been effectively crushed; and peace, law and order restored in the Republic. Unfortunately, however, the damage caused to the economic life of the Nation has inevitably aggravated the general economic difficulties that Kenya has been experiencing in the last few years. Primary amongst these problems is the continued weak balance of payments position facing the economy.

Prior to the events of August the 1st, Kenya had embarked on a rational structural adjustment programme with the support of both the World Bank and the International Monetary Fund. Indeed, the policies pursued by my Government in the last few years have sought to restore economic growth within a framework of policies designed to move Kenya's manufacturing sector towards production for exports; a reformed trade and import licensing system; better project preparation and implementation; as well as a comprehensive external debt management system. Besides these policies, my Government has committed itself to a purposeful population policy; and is vigorously pursuing related policies in other sectors. Above all, the Government has been concerned that a proper balance is maintained between the public and private sectors, and to this end, the Government has embarked on a process of



STATE HOUSE

P O BOX 40530

NAIROBI, KENYA

- 2 -

stringent curbs in public expenditure to ensure that more resources are channelled to the private sector which must continue to bear the main burden of bringing about more rapid growth to the economy.

It was in support of these policies that the International Monetary Fund and the World Bank had pledged support to the Kenya Government in the form of a Stand-by Facility of SDR 151.5 million and a Structural Adjustment Loan of US\$ 130.9 million, respectively. These foreign exchange resources, together with normal export earnings and other receipts would have been adequate to see us through to the end of the current financial year. Unfortunately, these projections have now been undermined by the events of August the 1st, and it is our expectation that the overall balance of payments deficit formerly anticipated will more than double by the end of the year, due to lower tourist receipts in the immediate future and adverse balance in the capital account.

According to our revised projections for the balance of 1982, the overall deficit will increase by at least B.Stg.£70 million over the previous estimate, thus bringing the overall balance of payments deficit to approximately B.Stg.£ 210 million. Prospects for 1983 and 1984 remain equally uncertain; and in the absence of substantially increased amounts of bilateral financial assistance on a concessional basis, it is clear that many of our current economic policies stand the risk of being aborted. For the moment, however, we face a critical foreign exchange problem as we begin to reconstruct our economy.

In the light of these circumstances, I take this opportunity to make a personal appeal to you and your Government for immediate balance of payments support. In addition, I would urge that consideration be given



STATE HOUSE

P O BOX 40530

NAIROBI, KENYA

- 3 -

to accelerated disbursement of funds under existing grants and concessional loan agreements. Consideration should also be given to possibilities of modifying certain of these agreements so as to make the undisbursed amounts immediately available for generalised balance of payments support. It may also be necessary to negotiate the re-scheduling of certain loans or waiver of interest payments; but separate approaches along these lines will be made to your Government through normal channels.

In the particular case of your Government, the Government of Kenya requests an immediate grant of B.Stg.£ 30 million for generalised balance of payments support. The Government of Kenya is prepared to provide assurances that such foreign exchange will be utilized for purchases of UK goods and services in accordance with normal bilateral arrangements.

In order to forestall the probability of these short term disturbances having a prolonged effect on the economic and political life of this Nation, it is essential that quick action is taken now; and it is my hope that Kenya's friends, amongst which the Government and people of the United Kingdom rank uppermost, will respond generously and on a timely basis to our request.

Accept, Madam Prime Minister, the assurances of my highest estimation and good wishes.

DANIEL T. ARAP MOI  
PRESIDENT

The Right Hon. Margaret Thatcher, M.P.,  
10 Downing Street,  
LONDON,  
UNITED KINGDOM