Folder Title:	Country Files: Kenya - Correspondence 01
Folder ID:	1774957
Series:	Country Files
Dates:	06/01/1981 - 05/31/1982
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-3965S
Digitized:	11/10/2021

Clausen's - Country Files: Kenya

Vol 1

DECLASSIFIED

WBG Archives

FORM NO. 75 (9-78)

THE WORLD BANK

ROUTING SLIP	DATE: May 7, 1982

NAME	ROOM NO.
Mr. Lafourcade	

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS:

Attached is the paragraph for inclusion in Mr. Clausen's brief on the occasion of Fin.Min. Arthur Magugu of Kenya.

FROM:	ROOM NO.:	EXTENSION:
Jochen Kraske	A1013	72491

I understand that Mr. Arthur Magugu, Minister of Finance of Kenya, may call on you in Helsinki ~~on May 17~~. ~~(?)~~ Mr. Magugu has been shifted to the Finance portfolio from the Health portfolio only fairly recently; the purpose of his call is presumed primarily an occasion to introduce himself to you. The Finance Minister may refer to the $130 million structural adjustment operation which we have just negotiated and plan to take to the Board on June 8. The structural adjustment program covers reforms in Kenya's system of quantitative tariff protection with a view to stimulating export ortiented production. It also covers more efficient procedures in investment planning and budgeting by the Government and monitoring of external debt. It includes a study of the regime for grain marketing and strengthening of the planning capacity in the Ministry of Agriculture, a more rational approach to investment planning and the energy sector and the establishment of a population council. However, we do not expect the Minister to raise any specific issues nor do we suggest discussion of the details of the program.

Exchange Rate
Trade Regime (Tariff)

August 20, 1981

Tom:

My conclusions regarding the Kenya CPP are as follows:

1) Para. 12 in the Summary puts the conclusions the wrong way around by suggesting that if Kenya should fail to implement its structural adjustment program satisfactorily we would reduce our lending program. I believe that the slow progress that Kenya is making in bringing about policy changes warrants only a much more modest program for the next two years and that the Region should be asked to come back with another assessment 12 months from now.

2) Compared to a proposed lending program for FY82 and 83 of $560 million I would propose a lending program of $450, of which no more than $250 million should be from the Bank (compared to the $335 million proposed).

3) Before we can consider an expansion of Bank lending to Kenya a thorough analysis of Kenya's creditworthiness should be undertaken.

4) In light of the above the number of projects proposed should be reduced (by about 3) and there should be a commensurate reduction in reserve projects.

5) The Region should prepare a more useful analysis of the disbursement problems than is presented in the CPP.

6) In terms of Bank financing of total project expenditures, Kenya's performance is not such as to warrant a special effort by us. In order also to stimulate cofinancing I would limit Bank financing to the foreign exchange cost or 60% of total project cost whichever is higher. In case of cofinancing we would be prepared to have total external financing reach 90%.

7) The sectoral discussion in the CPP is weak and action programs for the public sector enterprises, industry and the price structure should be prerequisites for any structural adjustment lending.

Ernie

OFFICE MEMORANDUM

TO: Mr. A.W. Clausen

DATE: August 14, 1981

FROM: Mahbub ul Haq, Director, PPR Mh

SUBJECT: KENYA CPP - Major Policy Issues

State Bank and projects attempt to get more

1. Compared with most other countries in Sub-Saharan Africa, Kenya's growth record over the 25 years since independence has been good. In recent years, however, Kenya's economic situation has deteriorated to a point where a zero growth rate in per capita GDP is projected for the next five years. Underlying this grim economic situation are such factors as:

- a population growth rate of 4 percent per annum - among the highest in the world;
- poor performance of the agriculture sector, growing at only 2 percent per annum during the 1970s, or at one-half the rate of population growth;
- a heavily protected, inefficient industrial sector which cannot readily compete in external markets;
- a 35 percent decline in the terms of trade, due to higher petroleum prices and a sharp fall in coffee prices;
- heavy external borrowing, resulting in a 1980 debt service ratio of 13 percent, which could rise to 32 percent in 1985 if exports grow at 3 percent per annum.

CREDIT WORTHINESS? DEPENDENCE ON PRIVATE SECTOR

2. In the face of these adverse economic circumstances, the Kenyan authorities have demonstrated a willingness to implement adjustment policies. Some have been included in the SAL 1 program. Among others that still have to be vigorously addressed are the following:

i) Rapid population growth: This is Kenya's "most difficult, pervasive and urgent development problem" (para. 56). In addition to the two population projects proposed in our lending program, the population control orientation that we are requiring in projects in other sectors, and the planned population policy dialogue with the Government, we recommend, as a pre-condition for the second population project scheduled for FY82, that the Region require the Government to develop a set of monitorable policy measures (e.g., number of clinics, acceptors, field supervisors) to achieve well-defined objectives for population control.

Does the $ amount seem about right. Is the strategy reasonably appropriate what about other donors

ii) Stagnant agricultural production: To help revitalize agricultural production and encourage intensive cultivation, the CPP calls for an improvement in the land distribution system

towards more sub-division of land holdings. Equally important, however, is the need to:

- raise producer prices for major crops including coffee, tea, maize, and livestock and products; and

- increase the role of the private sector in agricultural marketing, and gradually decontrol most of the prices.

iii) Parastatal reform: To reduce parastatal operating losses, especially those in the agricultural sector, measures will have to be taken to:

- reduce the number of parastatals, through mergers and/or liquidation;

- adjust the selling prices to cover operating and capital costs;

- consider the recommendations of the Ndegwa Commission Report to decide which of these should be supported by the Bank for implementation.

3. The above-mentioned policy reforms can be linked both to our project lending and SAL operations. Since last year, we have introduced a series of structural adjustment operations to serve as a major vehicle in our policy dialogue with the Government. The SAL 1 program, focussed on rationalizing the tariff regime and export promotion. The CPP proposes two follow-up SAL operations in FY82 and FY84. These should be used as a vehicle for our assistance strategy. Their successful implementation would also help strengthen Kenya's creditworthiness.

4. As regards the size of the IBRD/IDA lending program for FY82-86, we support the increase proposed in the CPP, provided that the Kenyan authorities demonstrate evident progress in addressing the policy issues described in para. 2 above. We also share PAB's concern, expressed in Mr. Vergin's memorandum of August 14, regarding Kenya's continued eligibility for IBRD funds. We recommend that in view of the uncertainties surrounding Kenya's future debt burden, the Region should be asked to submit a status report on Kenya's creditworthiness about 12 months hence.

5. Among the studies proposed in the Economic and Sector Work program, we attach the highest priority to the following:

i) the determinants of private savings mobilization;

ii) local government finances; and

iii) the study of parastatal management.

If feasible, these studies should be advanced to the FY82-83 period rather than undertaken in the FY84-86 period as presently planned.

cc: Management Review Group

COMPARATIVE COUNTRY ANALYSIS

Kenya's real per capita GDP growth is barely positive and is considerably lower than that of its comparators, all of which are SAL candidates. Its modest export growth, however, compares quite favorably with the others except Malawi. In spite of a large energy bill, both its debt service and resource gap to GDP ratios are relatively low. Kenya's population growth is very high, while its other social indicators are on par with its African peers, but falls short of Sri Lanka's record.

	KENYA	SUDAN	MALAWI	MOROCCO	SRI LANKA
Economic Structure a/					
Population 1979 (millions)	15.3	17.9	5.8	19.5	14.5
GNP Per Capita 1979 ($US)	380	370	200	740	230
% Agriculture in GDP 1979	34	38	43	19	27
% Industry in GDP 1979	21	13	20	32	31
Energy Consumptions Per Capita 1979 f/	180	141	70	315	140
Debt Service Ratio 1979	8.4 b/	33	9.4	29.4	6.5
Economic Performance c/	1972-81 b/	1970-79	1970-79	1970-79	1970-79
Real GDP Growth Rate a/	4.1	4.3	6.3	6.1	3.8
Real Exports Growth Rate a/	2.8	- 4.4	4.6	1.3	- 3.0
	1977-79	1977-78	1978-80	1977-79	1977-79
Gross Domestic Investment/GDP	25.2	15.5	27.8	25.9	20.8
Exports & NFS/GDP	29.1	8.6	21.2	18.2	34.6
Resource Balance/GDP	- 5.1	- 7.8	-14.1	-15.0	- 5.5
Gross Domestic Savings/GDP	20.1	7.7	13.7	10.9	15.3
Government Revenue/GDP	20.6	14.8	15.4	--	23.7
Energy Imports/Total Exports 1978 a/	30	24	22	28	18
Gross International Reserves in Months of Import Coverage 1979 a/	3.7	0.7	1.7	2.1	4.1
Recent Social Indicators d/	1976-79	1976-79	1976-79	1976-79	1976-79
Population Growth Rate %	3.9 b/	2.6	2.8	2.9	1.7
% Change in Crude Birth Rate 1960-79 a/	- 1.3	0.9	- 3.6	-12.0	-22.3
% Change in Crude Death Rate 1960-79 a/	-42.7	-26.2	-31.0	-38.5	-18.7
Child Death Rate (per 1,000) h/	15	29	25	16	3
Life Expectancy (years)	54.7	47.3	46.9	56.4	65.6
Adj. Enrollment ratio - Primary	99	50	59	72	94
- Secondary	18	16	4	20	52
Adult Literacy Rate	45	20	25	28	85

Lending Program e/	KENYA FY76-80 b/	KENYA FY81-85 b/	SUDAN FY76-80	SUDAN FY81-85	MALAWI FY76-80	MALAWI FY81-85	MOROCCO FY76-80	MOROCCO FY81-85	SRI LANKA FY76-80	SRI LANKA FY81-85
Nominal IBRD/TW M$US	586.4	833	32	-	29.2	100	953.5	1805.5	-	-
Nominal IDA M$US	260	520	349	495	98.1	238.3	-	-	311.2	650
p.c.p.a. Lending ($US)	10.6	17.7	4.4	5.7	4.4	11.7	10.1	19.1	4.3	9.1
p.c.p.a. Grant Equivalent	4.9	8.5	3.8	5.1	3.4	8.1	2.3	4.3	3.9	8.1
p.c.p.a. in Constant 1981 $	13.6	15.3	5.2	4.8	5.7	10.4	12.4	16.4	5.1	7.8

	KENYA	SUDAN	MALAWI	MOROCCO	SRI LANKA
	FY82-86	FY82-86	FY82-86	FY82-86	FY82-86
SAL/Program Lending M$US g/	250 b/	45	130	345	160

---

a/ World Development Indicators, 1981, unless otherwise indicated.
b/ Kenya CPP, Review Draft, July 1, 1981.
c/ International Financial Statistics, IMF, June 1981, unless otherwise indicated.
d/ Social Indicators Data Sheets, May 1981, unless otherwise indicated.
e/ Latest Table IV, PAB, February 27, 1981, unless otherwise indicated.
f/ In Kilograms of Coal Equivalent.
g/ Regional Proposals, 1981.
h/ Ages 1-4 years

Program Review Division
Policy Planning and Program Review Department
July 31, 1981

234

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen

DATE: August 13, 1981

FROM: Heinz Vergin, Director, PAB

SUBJECT: KENYA - Country Program Issues

1. In the last management review of the Kenya country program held in June 1979, the discussion centered primarily on Kenya's creditworthiness and the Bank's exposure. Since then, Kenya's balance of payments and overall resource position have deteriorated further, and despite commendable efforts of Government, the country's creditworthiness and the Bank's exposure now have to be viewed with even greater concern. Kenya's current situation underlines the need for a reform program which accelerates economic growth, improves creditworthiness, and deals with the country's longer-term development problems. The structural adjustment component of the proposed lending program would serve as a vehicle for Bank assistance in the design and implementation of this reform package.

Major Issues

2. The following issues deserve discussion at the Review Meeting.

- Does the country's creditworthiness warrant the scale of IBRD lending proposed? We note that in the "most likely" economic scenario, real growth in GDP is so severely constrained that per capita GDP grows only marginally and per capita consumption would decline by 1% p.a. in the medium term. Yet, even this bleak projection is based on several optimistic assumptions including: (a) an acceleration in export growth to 5.9% p.a. during 1981-85 from 0.4% p.a. during 1976-81; (b) an import elasticity of only 0.1 during a period when external trade is being liberalized; (c) a high marginal national savings rate of 0.64 during 1981-85 compared to a real decline in national savings during 1976-81; and (d) an increase in external borrowing from $580 million annually in recent years to over $1.0 billion, with half of this amount to come from traditional sources (including the Bank Group and IMF). Under these assumptions, the external debt service ratio is projected to increase from 13% in 1980 to over 19% by 1985 and the Bank's exposure would rise from 18% of Kenya's debt in 1980 to 22% in 1985. With this outlook, we regard the proposed IBRD lending program of $900 million for FY82-86 as supportable only if the Government follows prudent debt management policies and increases its commitment to a forceful program of structural reform.

- Do the decline in the overall disbursement rate and the implicit increase in project implementation difficulties indicate that there are absorptive capacity problems which need to be addressed with urgency? If so, we should not plan on as large a number of projects as proposed in the CPP until the causes of the disbursement problem have been identified and resolved. Staff resources to be devoted to the preparation of the large number of reserve projects (12) might be better deployed on project implementation assistance.

[illegible] August 1?, 1981

[illegible]

[illegible]

In the last management review of the Kenya country [illegible] in June 1979, the discussion centered [illegible] on Kenya's [illegible] the Bank's exposure. Since then we [illegible] and overall economic position [illegible] [illegible] the country's [illegible] Bank's [illegible] now have [illegible] viewed with even greater concern. [illegible] current [illegible] difficulties [illegible] for a [illegible] acceleration [illegible] economic growth, [illegible] country. [illegible] [illegible] component [illegible] the proposed [illegible] [illegible].

[illegible]

1. [illegible] at the [illegible]

Does the country's creditworthiness warrant the scale of [illegible] lending [illegible] proposed? We note that in the "[illegible]" [illegible] scenario, real growth in GDP is so severely [illegible] per capita GDP grows only marginally and per capita [illegible] would decline by 15 p.a. in the median terms. [illegible] [illegible] projection is based on several optimistic [illegible] included: (a) an acceleration in export growth [illegible] during 1981-85 from 0.4% p.a. during 1975-80, [illegible] [illegible] of only [illegible] during a period [illegible] [illegible] being [illegible]; (c) a [illegible] [illegible] during 1981-85 compared to [illegible] decline in national savings during 1976-80 and (d) an increase in external borrowing from $580 million annually in recent years to over $1.0 billion, with half of this amount to come from [illegible] sources (including the [illegible] [illegible] 1985). Under these assumptions, the external [illegible] ratio is projected to [illegible] from 13% in 1980 to over 20% by 1985 [illegible] [illegible] would rise from [illegible] Kenya's debt [illegible] [illegible]. With this outlook, we regard the proposed [illegible] program of $900 million [illegible] as supportable only if the Government follows prudent debt management policies and [illegible] its commitment to a [illegible] program of structural reforms.

2. Is the [illegible] in the overall disbursement rate and the [illegible] increase in project implementation difficulties [illegible] indicative that there are absorptive capacity problems which need to be addressed with urgency? If so, we would not [illegible] on as large a number of new projects as proposed in the [illegible] until the causes of the implementation [illegible] have been identified and resolved. [illegible] [illegible] to [illegible] [illegible] of the [illegible] [illegible] progress. [illegible] [illegible] project [illegible] execution [illegible]

RECEIVED
1981 AUG 13 AM 11:04
OFFICE OF THE PRESIDENT

- Could the changes in Kenya's system of industrial protection which we are trying to bring about under the Bank's SAL operations be complemented by more direct assistance for rehabilitation, reorganization, and re-equipment of potentially viable industries? To what extent can the IFC be drawn into the proposed assistance strategy to strengthen private sector development?

- Could we intensify the Bank's role in mobilizing and coordinating external assistance in light of Kenya's highly constrained resource situation? The recent Consultative Group meeting may have provided additional information on the realism of the ODA assumptions employed in the Region's creditworthiness analysis. Finally, the role of the Bank Group as a catalyst for increased private capital flows, particularly through private co-financing of Bank Group projects, deserves discussion.

Recommendations

3. We recommend:

- That the proposed IBRD program of $900 million for FY82-86 be made contingent on the Government taking tangible steps toward structural adjustment and improved debt management. With regard to the latter, the formulation of a satisfactory external borrowing program and agreement with the IMF on an EFF program should be included among the required steps.

- That the proposed IDA program of $600 million for FY82-86 be given priority in the allocation of IDA funds. However, if this program is not feasible given the need to provide for China while ensuring adequate levels of assistance to least developed countries, the reduction in Kenya's IDA allocation should not be replaced by increased IBRD lending.

- That greater priority be given in the country assistance plan to helping Government in the utilization of existing aid contracts, in aid coordination and in securing co-financing. To the extent that this assistance requires additional staff resources, these might be obtained from a consolidation of the proposed lending work program, particularly through a reduction in the number of reserve projects.

- That the Bank Group (including IFC) increase its assistance to Government in the design and implementation of adjustment programs for specific industries.

4. A management review of the Kenya Country Program Paper should be held within 12-15 months.

Annex 1 compares the lending program proposed for Kenya in this CPP with programs approved earlier.

The Management Review Meeting is scheduled for Friday, August 21, 1981 at 10:30 a.m. in Room E-1227.

Attendance:	Eastern Africa Regional Office
Messrs. Clausen	Messrs. Wapenhans, RVP
Stern	Kraske, Programs Director
Qureshi	Adler, Projects Director
Baum	Gulhati, Chief Economist
Gabriel	Sandberg, Div. Chief, 1A
Haq	Greene, Sr. Economist
Horsley	McBride, Sr. Loan Officer
Vergin	
Waide	
LaFourcade	
Landell-Mills	
Robless	

cc: Messrs. Chenery (o/r)
Paijmans

KENYA

Annex 1

		FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY81-83	FY84-86	FY79-83	FY81-85	FY82-86
Operations Program (No.)													
Approved, July 1979		8	7	2	6	3	..	..	15	..	30	..	..
Proposed, July 1981		7	3	7	10	8	7	7	20	22	34	35	39
Lending Program (No.)													
Approved, July 1979		6	5	4	5	6	..	..	14	..	27	..	..
Std. Table IVi, February 1981		7	3	6	5	5	5	..	14	..	28	24	..
Proposed, July 1981		7	3	5	5	7	5	5	13	17	27	25	27
Lending Program (Cur. $m)													
Approved, July 1979	IBRD	101	105	110	175	195	..	..	390	..	702	..	..
	IDA	82	80	70	75	70	..	..	225	..	347	..	..
	Total	183	185	180	250	265	..	..	615	..	1049	..	..
Std.Table IV, Feb. 1981	IBRD	70	83	165.2	160	180	200	..	408.2	..	689.2	788.2	..
	IDA	122	50	136.0	105	100	80	..	291.0	..	453.0	471.0	..
	Total	192	133	301.2	265	280	280	..	699.2	..	1142.2	1259.2	..
Proposed, July 1981	IBRD	61	83	125	210	195	220	150	418	565	690	833	900
	IDA	122	50	170	55	160	85	130	275	375	437	520	600
	Total	183	133	295	265	355	305	280	693	940	1127	1353	1500
Lending Program (Const. FY81 $m)													
Approved, July 1979	IBRD	108.6	105	102.7	153.4	160.9	..	..	361.1	..	715.3	..	..
	IDA	88.2	80	65.4	65.7	57.8	..	..	211.1	..	345.9	..	..
	Total	196.8	185	168.1	219.1	218.7	..	..	572.2	..	1061.2	..	..
Std.Table IV, Feb. 1981	IBRD	75.3	83	154.2	140.2	148.5	155.5	..	377.4	..	698.3	681.4	..
	IDA	131.2	50	127.0	92.0	82.5	62.2	..	269.0	..	446.8	413.7	..
	Total	206.5	133	281.2	232.2	231.0	217.7	..	646.4	..	1145.1	1095.1	..
Proposed, July 1981	IBRD	65.6	83	116.7	184.0	160.9	171.1	110.0	383.7	442.0	694.9	715.7	742.7
	IDA	131.2	50	158.7	48.2	132.0	66.1	95.4	256.9	293.5	434.7	455.0	500.4
	Total	196.8	133	275.4	232.2	292.9	237.2	205.4	640.6	735.5	1129.6	1170.7	1243.1
Commitment Deflator (FY81 = 100)		93.0	100.0	107.1	114.1	121.2	128.6	136.3					

Note: April 1980 Review Group decisions FY81-83: IBRD $410 million
IDA $285 million
FY81-85: IBRD $790 million
IDA $465 million

PAB/CP
7/31/81

FORM NO. 75
(9—78)

THE WORLD BANK

ROUTING SLIP	DATE: July 14, 1981

NAME	ROOM NO.
Mr. Clausen	E-1227

	APPROPRIATE DISPOSITION		NOTE AND RETURN
	APPROVAL		NOTE AND SEND ON
	CLEARANCE		PER OUR CONVERSATION
	COMMENT		PER YOUR REQUEST
	FOR ACTION		PREPARE REPLY
	INFORMATION		RECOMMENDATION
	INITIAL		SIGNATURE
	NOTE AND FILE		**URGENT**

REMARKS:

The attached Country Program Paper on KENYA is scheduled to be discussed at a meeting on Friday, August 21, 1981 at 10:30 a.m. in Room E-1227. The meeting will be chaired by Mr. Clausen.

FROM:	ROOM NO.:	EXTENSION:
C. L. Robless	D-1348	75533

REVIEW DRAFT

CONFIDENTIAL

Country Program Paper

KENYA

July 1, 1981

Eastern Africa Regional Office

Distribution:

President
Assistant to the President
Senior Vice President, Operations
Senior Advisers to the Senior Vice President, Operations
Senior Vice President, Finance
Vice President, Programming and Budgeting
Vice President, Development Policy
Vice President, Projects Staff
Regional Vice President concerned (20-30 copies)
Director, Programming and Budgeting Department
Chief, CP Division, PAB (4 copies)
Director, Policy Planning and Program Review Department
Chief, Program Review Division, PPPR (3 copies)

Information only:

Vice President, External Relations
Director, International Relations Department
Vice President, Administration, Organization, Personnel Management
Directors, Central Projects Departments
Legal Department

Executive Vice President, IFC
Director, IFC Investment Department concerned

CONFIDENTIAL
REVIEW DRAFT

COUNTRY PROGRAM PAPER

KENYA

		IBRD/IDA Lending Program c/ FY76-80	FY81-85	($ million) FY82-86
1979 Population: 15.3 million a/	IBRD(TW)	554.4(32.0)b/c/	833.0	900.0
1979 Per capita GNP: $380 a/	IDA	260.0	520.0 d/	600.0 d/
	Total	814.4	1,353.0	1,500.0
Current population growth rate: 3.9% p.a.				
	No. of Loans/Credits	29	25	27
	No. of Loans/Credits per million pop.	1.89	1.63	1.76

Current Exchange Rate:
KSh. 7.5 = US$1.00

Average Lending Per Capita Per Annum: Current $ (Const. FY81 Commitment $)

IBRD/IDA	10.6(13.6)	17.7(15.3)	19.6(16.3)
IDA	3.4 (4.4)	6.8 (5.9)	7.8 (6.5)

---

a/ World Bank Atlas, 1980.
b/ Excludes a notional one-half share of loans to the East African Community ($7.5m.) in FY76.
c/ The FY81-85 lending program proposed in this CPP compares with the program for the same period approved at the last Bankwide lending program review in April 1980 as follows:

	FY81-85 Lending Program Approved	Proposed	Percentage Change Proposed/Approved
No. of Loans and Credits	23	25	+9%
Current $ million	1,260.0	1,353.0	+7%
Constant FY81 Commitment $	1,099.6	1,170.8	+6%
Per capita per annum (Constant FY81 Commitment $)	14.4	15.3	+6%

COUNTRY PROGRAM PAPER

KENYA

SUMMARY AND RECOMMENDATIONS

1. Kenya faces difficult economic and social problems which, if not resolved, could have severe political repercussions domestically and internationally. Some of these are long-term in nature and result from geographic and climatic conditions or deeply ingrained cultural traits. Others are of more immediate concern and result from changes in the international environment or from annual variation in the amount and timing of rainfall.

2. The country's long-term development problems stem directly from the facts of nature; the arable land resources that must sustain the population and, at the same time, provide the foreign exchange resources needed to operate and expand the modern sectors of the economy, are severly limited by climate and have by now largely been brought under cultivation. The known domestic energy resources needed for domestic fuel and to operate the expanding industrial and transportation sectors which can help provide employment for increasing numbers of people are small and will soon be fully utilized. The effects of these two fundamental constraints are greatly exacerbated by one of the highest population growth rates in the world which causes the pressure on land and energy resources to grow at an alarming rate. The gravity of the situation has been brought home to the Government by the partial crop failure in 1980, which had to be offset by large grain imports, and the effect of rapidly rising oil prices which have drastically increased the proportion of export earnings used for oil imports and reduced the room for other urgently needed imports. In the medium term the rapid growth of the population will, given the shortage of arable land, result in increasing fragmentation of farms, impoverishment of smallholders, and landlessness and severe pressure on non-agricultural labor markets to provide the needed employment opportunities.

3. If Kenya is to prosper, it must develop and implement long-term policies and programs designed to conserve its scarce natural resources and maximize the return from their use. In agriculture this implies land use policies that maximize and balance the output of food and export crops while protecting arable and grazing land from degradation. It also implies maximum growth of productive employment opportunities in all sectors of the economy. That every effort also must be made to reduce population growth as quickly as possible goes without saying.

4. To carry out a long-term strategy along these lines will not be easy and Kenya will need to generate savings and foreign exchange resources to finance the large investments required in agriculture, industry, transport, education and all other sectors of the economy. Unfortunately, the Kenyan economy is not well structured to generate the necessary resources. For foreign exchange earnings she is dependent on agriculture commodities facing soft world markets and stagnant or falling prices, e.g., coffee. To keep her

high cost industrial and transport sectors (parts of agriculture also for that matter) operating at reasonably high capacity utilization she must import oil, raw material and spare parts at rapidly rising prices, while for investment she is dependent on imported capital equipment. The result has been growing balance of payments problems, recently exacerbated by crop failure and food imports, restrictive import, credit and fiscal policies, and a marked slow-down in economic growth; in fact, per capita GDP growth has been negative in each of the last two years and the outlook for the next several years is not much brighter.

5. To deal with those problems and to encourage the economy to resume its earlier healthy growth, which is needed to increase available foreign exchange resources and domestic savings, the Government is carrying out a program of policy reform designed to restructure the economy by making industry more export-oriented. In the meantime it is maintaining restrictive credit and fiscal policies while making improvements in the allocation of foreign and domestic resources. To address its long-term problems, the Government has also recently begun work on major policy initiatives in dealing with the food and energy problems.

6. While the problems facing the country are daunting by any standard, Kenya is fortunate in having an able civil service which has shown skill and imagination in dealing with difficult problems. Political considerations have sometimes affected decision-making as exemplified by the virtual paralysis in decision-making at the Cabinet level that characterized President Kenyatta's last few years as well as several recent examples, of politically motivated decisions taken by President Moi. The recent decline in Mr. Kibaki's previously strong position in economic matters has also contributed to a certain degree of uncertainty in economic decision-making. At the same time diffusion of power in a now much larger and more active Cabinet has not only increased participation in decision-making but also the opportunities for obstruction and procrastination in difficult policy matters. There is also a tendency to try to regulate the economy in more detail than Government could and should do. Finally, frequent shifts at the senior civil service levels have led to problems and slowness in policy implementation. However, notwithstanding these weaknesses in economic policy making and implementation, on balance, we believe that there is no lack of will or commitment on the part of the Government when it comes to making difficult policy decisions and confronting its problems. Thus, policy changes and restructuring of the economy are likely to proceed, albeit at a slower pace than would be desirable.

7. The Government's efforts to deal with its many difficult medium- and long-term problems deserve strong support. Its past performance has been good and it has been responsive to Bank and IMF advice; when we have had policy differences they have invariably been settled amicably and reasonably. Similarly, Kenya's record in implementing the program agreed under the First Structural Adjustment Credits has been acceptable, if slow, while project implementation was one of the best in Africa until recent balance of payments and budgetary problems caused performance to deteriorate.

8. Our projections show that Kenya will have a balance of payments gap of \$5.2 billion in 1981-85 even if it reduces its growth rate to about 4.3% i.e., very slow growth in per capita GNP. To help cover this gap we propose that the total lending program be increased from the presently approved level of \$1,255.0 million for FY81-85 to \$1,500.0 million for FY82-86. We propose an increase in Bank lending of \$112.0 million above the presently approved lending program for which Kenya is creditworthy and an increase in the IDA allocation by \$35 million. The proposed increase in the IDA allocation to the relatively high level of \$7.8 per capita per annum is justified on the basis of Kenya's balance of payments situation and its serious efforts to deal with its economic problems.

9. The key elements in the proposed lending strategy are two Structural Adjustment lending operations amounting to \$250 million or 17% of the total lending program. These credits would be made in support of the Government's efforts to restructure the economy and be based on clear monitorable programs of policy actions; the content of the program for the proposed second Structural Adjustment operations is being developed and includes continued industrial policy changes, policies to promote exports and revitalize agricultural production as well as to conserve and develop energy sources. Should our expectation that the Government will make steady, if unspectacular, progress in its restructuring policy prove too optimistic, we would have to re-examine not only the proposed program of structural adjustment credits, but also the proposed project lending program as well in order to determine which operations remain viable in such an economic environment.

11. Structural adjustment lending would be supported by lending for projects that would help address the major problems facing the Government, i.e., family planning, energy development, agriculture production and processing, industrial investment, education and transportation. The economic and sector work program is also designed to support the objectives of the structural adjustment lending program.

12. In summary, in this CPP we seek approval for: (a) a total lending program for FY82-86 of \$1,500.0 million, of which \$250 million for structural adjustment lending; and (b) an IDA allocation of \$600.0 million. Finally, should Kenya fail to implement satisfactorily its structural adjustment program, we would reduce the lending program by deleting remaining structural adjustment credits and would review whether a reduction in project lending would be appropriate.

MILITARY EXPENDITURES?
How get running bank rep?
what about devaluation?

A. Introduction

1. The last CPP for Kenya was reviewed by Mr. McNamara in July 1979. A Country Economic Memorandum (2441-KE) was distributed on March 28, 1979. The second Basic Economic Report is about to be completed and an economic updating memorandum will be distributed shortly. The last CPP identified the combination of a favorable domestic political climate and an unfavorable external economic environment as a unique opportunity for increased Bank Group assistance to help underwrite significant development policy changes. This year's CPP stresses the need for continued Bank assistance to help the Government implement its program of policy changes necessary for the resumption of sustained economic growth. Without access to adequate financial and technical assistance at the present critical juncture in Kenya's development the Government may face serious constraints in its attempts to restructure the economy and bring about economic and social development.

B. Country Objectives and Performance

Recent Political Developments

2. In light of the peaceful national election held in November 1979 and the far-reaching Government reshuffle in June 1980, it seems that President Moi and his associates are, at least for the time being, in control of the bureaucratic, political, military and para-military foci of state power. During the process of power consolidation, President Moi has struck out on his own in some domestic areas such as the school milk program, adult literacy program, and the campaign against corruption. Externally, Kenya seems to be reaching out to a new, more activist role in African and world politics. But in spite of the apparent control of the President, the current political situation in Kenya contains underlying tensions, largely as the result of a historical political conflict that is taking a more open and concrete shape under Mr. Moi's leadership than during Mr. Kenyatta's rule.

3. Under Mr. Kenyatta, the President's power base was the Kikuyu people of Central Kenya. With their backing he succeeded in turning back all challenges to his leadership, including in 1969 that of the Kenya People's Union (KPU), dominated by the Luo of Nyanza and led by Mr. Oginga Odinga. In the mid-seventies many Kikuyu from the North, especially from Nyeri, were openly critical of the influence of politicians from Kenyatta's home district in the south, Kiambu. The "Kiambu clique" was accused of corruption and manipulation of the President for personal, tribal and regional interests. However, due to the Government's prompt and strong reaction to this criticism, an open conflict was averted; but it continued to cloud the last years of Mr. Kenyatta's regime. Following the election of a non-Kikuyu President and a Vice President from the Kikuyu Northern division, it appears now that the North-South Kikuyu conflict is escalating again with Vice President Kibaki representing the North and former Attorney-General and now Minister of Home and Constitutional Affairs Njonjo trying to lead the South.

4. President Moi, on his part, seems to be capitalizing on the rift between Mr. Kibaki and Mr. Njonjo to consolidate his rule and to strengthen his own plans for a second term in 1982. But Mr. Moi's aim of consolidating his own power base goes further and is demonstrated in his efforts to bring Kenya's non-Kikuyus including his own group, the Kalenjin, and the second largest tribe, the Luo, closer towards the center of political life.

5. Whatever the nature and dimension of the ongoing power struggle, the outcome of which is difficult to predict, there is a good deal of political nervousness in Kenya. To this should be added the uncertainty created by frequent and rapid shifts of senior civil servants and a considerable expansion of the Cabinet itself. While this has resulted in increased participation in and, hopefully, commitment to, decisions taken there are much greater opportunities for obstruction and procrastination; many major policy programs have been presented to the Cabinet numerous times and still have not been approved. At the same time, the President has shown a tendency to make decisions without adequate consultations in Government often with detrimental economic consequences, e.g., the sudden ban of all truck traffic between 6 p.m. and 6 a.m. All these factors make for increasing slowness and uncertainty in economic policy and decision-making.

Economic Background

6. Kenya was able to absorb the initial impact of the world oil price changes in 1974 without severe disruption of the economy. The comfortable foreign exchange reserve position at the beginning of 1974 and the high levels of business inventories helped Kenya weather the crisis. In addition, although the deficit on the current account reached a record of $314 million in 1974, net capital, especially private, inflows increased considerably and Kenya also drew on her facilities with the IMF and received a program loan from the Bank. The outlook was, however, for continued deterioration in Kenya's external position, primarily because of worsening terms of trade and slow export growth. The Government therefore introduced a comprehensive program, spelled out in Sessional Paper No. 4 of 1975, to restructure the pattern of economic growth. Broadly, this involved restraining the consumption of both the public and private sectors, and channelling investments to areas of immediate productive potential. Domestic inflation was to be held below world inflation so as to encourage the use of domestic resources and to maintain Kenya's competitiveness in export markets.

7. The Government relied mainly on the use of fiscal and monetary instruments to carry out the program; taxes on income and sales taxes on luxury goods and gasoline were raised; the three-year Forward Budget was revised to shift resources into exports, agricultural production, and industries using more labor-intensive techniques; growth of both Government consumption and development expenditure was reduced from the Third Plan levels; the shilling was devalued by 15% against the dollar; and, a 10% subsidy on manufactured exports was introduced. In addition, Kenya applied

an incomes policy that kept average annual wage increases to no more than 75% of the increase in the cost of living, but with those at the bottom of the income scale receiving full compensation for the cost of living increase. These measures, and the world recession in 1974-75, led to a slow-down in Kenya's economic growth rate from 6.4% in 1973 to 2.6% in 1974 and 2.3% in 1975.

8. However, a frost in Brazil reduced the world coffee crop and led to skyrocketing coffee prices in 1976 and 1977. Kenya's economy rebounded as a result of the external stimulus and grew by 5.6% and 8.6% respectively in 1976 and 1977. With increased resource availability the Government adopted an expansionary budget in 1977/78 to compensate for curtailment of development expenditure in the previous three years. By mid-1977 the coffee prices had already peaked and began a gradual decline. The expansionary impact of the relaxed fiscal and monetary policy caused the balance of payments, which had achieved an unusual surplus on current account in 1977, to deteriorate in 1978. The import bill increased by more than 40% over 1977, and the terms of trade deteriorated sharply. As a result, Kenya had to draw down its reserves substantially. Real GDP still grew by 5.7% in 1978, but economic activity was slowing down.

Recent Economic Developments

9. The problems that began to affect the Kenyan economy in 1978 continued and accelerated in 1979. The restrictive policies introduced in late 1978 were effective in reducing imports and, although the terms of trade continued to deteriorate, the current account deficit declined from $675 million in 1978 to $483 million in 1979, the overall balance of payments was in surplus and gross reserves increased by $179 million. Money supply grew fairly rapidly as a result of rising foreign assets and a large budget deficit of $286 million or 6% of GDP in 1979/80, achieved after deep cuts primarily in development expenditures, but the rate of inflation nevertheless declined slightly (from 12.5% in 1978 to 10.8% in 1979). The overall performance of the economy was, however, unsatisfactory with the value of agriculture production falling and the growth of industrial activities declining; the overall rate of growth of real GDP was only about 3% and GDP per capita declined for the first time since 1975.

10. Rapidly rising oil prices and poor weather, which caused widespread crop failure, added to Kenya's problems in 1980. Total imports grew rapidly, in part because of the importation of about 250,000 tons of food grains, and the overall balance of payments showed a deficit of $242 million which was only in part financed by drawings on the IMF and non-project foreign assistance. The resulting decline in the foreign exchange reserves combined with a restrictive fiscal policy reduced the growth of money supply to only 2.2% in the first three months of the fiscal year (July/September 1980) reflecting a rapid increase in credit to the public sector and very slow growth of credit to the private sector. However, food shortages, increased oil prices, as well

as a wide range of price increases to compensate for earlier inflation (e.g., electric power rates) pushed prices upward by an estimated 13% in 1980. The overall result of the very restrictive economic climate and the poor weather conditions was a second year of very slow growth of the economy; real GDP was estimated to have grown by about 2% implying an equal decline in per capita GDP.

11. Both 1979 and 1980 were difficult years for Kenya and 1981 is not expected to be much better. Since prices of Kenya's major exports have shown no tendency to improve, it is expected that the balance of payments will continue to be in deficit. Concerned about the rapid decline in foreign exchange reserves in 1980, the Central Bank of Kenya tightened its restrictions on credit for imports further and began to curtail imports by slowing down or refusing to issue licences and in February 1981 the Kenya shilling was devalued by 5% in relation to the SDR. As mentioned above, the 1980/81 budget is also tight, with additional expenditures (including a general salary increase) likely to result in an overall deficit, as is the budget framework for 1981/82. As a result of continued restrictive monetary and fiscal policies it seems likely that the real rate of growth of GDP will again be below the rate of growth of the population, although better weather in late 1980 and early 1981 should lead to some growth in agricultural production and an improved food balance.

Development Objectives and Strategy

12. After independence in 1963, and in the first post-independence decade, the Government's main policy objective was rapid economic growth. But with widening social and regional disparities and rapidly mounting employment pressure, the Government broadened its policy objectives in the 1974-78 Third Development Plan to explicitly encompass employment and income distribution objectives; the major concern was rural development with smallholder farming as top priority. Contributing towards the Government's new strategy were ILO's Report on Employment, Income and Equality and the Bank's first Basic Economic Report (BER). Both reports focused their recommendations on agriculture and other domestic resource-based sectors, employment problems, income distribution, increased family planning efforts, and reliance on the market mechanism rather than on direct controls to ensure efficient resource allocation.

13. The Fourth Development Plan (FDP), which covers the years 1979-83, focuses more sharply on problems and policies and embodies a pronounced shift in Kenya's development strategy with regard to population issues. The Plan emphasizes restoring growth to the levels that prevailed before 1974 (i.e., 6.3% GDP growth on average per annum), while alleviating poverty through creation of income earning opportunities and provision of social services to meet the basic needs of the population. The Plan correctly identifies the key problems that Kenya faces and sets forth a development strategy appropriate to their solution. It is explicit in its recommendations, and shows a sound awareness of the constraints affecting Kenya's development.

14. The Fourth Plan recognizes the strong link between agricultural growth and poverty alleviation. It proposes increased access to land through legalizing subdivision of high potential large farms and establishment of a National Land Commission to review ways of encouraging land use intensification and labor absorption. The Plan also proposes that marketing and pricing policies pay closer attention to the structure of domestic and international prices and the marketing system be made more competitive and efficient to improve prices to farmers. Research and extension services are to be more closely linked to the needs of small farmers. Finally, in addition to projects to increase large scale commercial and smallholder production, a series of integrated rural development projects in semi-arid areas is proposed to redress the neglect of these areas.

15. The major thrust of industrial policy will be to effect a transition from import substitution to a strategy emphasizing industrial efficiency and export diversification. This will involve further rationalization of tariffs and elimination of quantitative restrictions on imports over a five-year period.

16. The Plan proposes no fundamental change in Kenya's traditionally liberal policy on foreign investment with the important exception that review and approval of projects for which special concessions or Government participation are being sought will rely more on economic criteria and will be centralized in the Ministry of Finance. On the whole, the Plan calls for a more limited role for Government in terms of direct participation and intervention. However, efforts will be made to restructure industrial investment incentives to encourage employment and decentralization. Finally, while there are doubts in Kenya about how dynamic a role the informal sector can play in the development process, the Plan is more specific in its recommendations for aid to small firms (provision of financial and technical support and ending of unnecessary licensing and other restrictions) than the previous Plan.

17. The Fourth Plan acknowledges the heavy burden rapid population growth places on the economy and emphasizes family planning. The target for new acceptors during 1979-83 is 700,000, compared to 280,000 recruited during 1974-78. In order to achieve this, the number of field educators will be more than tripled (from 430 to 1,300) and the number of fixed delivery points doubled (315 to 630). Although Kenya is doing more to promote family planning than most other African countries, the rate of population growth is projected to remain extremely high (3.9%) because of strong cultural and social factors and even greater efforts will be required to bring about a significant decline in fertility. The motivation to limit family size in rural areas will need to be seriously addressed.

Development Issues

18. The Government's overall development strategy,which seeks to combine growth with income distribution and employment creation, is appropriate in its long-term approach to Kenya's problems. But, in the framework

of the country's political system, as well as the acute socio-economic problems now facing Kenya, there are a number of issues which require, within the overall policy framework, closer attention in the years to come. Several of these issues, including food and energy policy, are being addressed in government papers that are in the final stages of preparation or under consideration by the Cabinet.

19. Population Growth and Socio-Economic Development. The present very high population growth rate of 3.9% is a formidable constraint to Kenya's socio-economic development. It upsets Kenya's balance between investment and consumption, straining fixed natural resources, increasing the demand for social services to satisfy basic human needs, and calling for ever higher levels of production and employment just to maintain current consumption levels and living standards.

20. Although Kenya is a large country, more than 80% of cultivable land has very limited potential on the basis of present technology. As the pressure of population has built up in the high potential areas, big farms have heen subdivided and landlessness has emerged as a significant phenomenon; it is estimated that 11% of rural households are landless. Attempts have also been made to take up cultivation in marginal lands without adequate safeguards, thereby leading to degradation of soils.

21. During the period 1960-70, the number of new entrants to the labor market increased by 3.2% per annum. If fertility remains constant, the expansion of the labor force would tend to accelerate to more than 4% per annum at the turn of the century and the number of workers would rise from 4.6 million in 1970 to 8.5 million in 1990 and to 12 million in 2000. Employment in the modern sector (consisting of medium and large scale private enterprises, as well as Government and other public sector agencies) rose by 3.8% per annum during 1968-76, but absorbed only 17% of the total labor force in 1976. This expansion occurred in a period when overall GDP was increasing by 6.5% per year. The capacity of the modern sector to absorb large numbers of entrants into the labor force in a period when GDP growth is likely to be much lower is obviously limited. Agriculture can provide substantial additional employment opportunities during the remainder of this century, but this will require a land policy, supporting social and economic infrastructure and other agricultural policies strongly oriented to smallholders. Nevertheless it is clear that, unless there is a significant reduction in fertility, socio-economic development will be slow at best.

22. A third important consequence of rapid population growth is the increased public expenditure required to provide basic needs services: education, health, water and housing. Altogether, annual average Government outlays on these services amounted to KL54 million (1970 prices) during 1970-75, or about 30% of total budget expenditures. It has been estimated that to provide these basic needs services for all by the year 2000 would require an increase in annual Government expenditure to about KL255 million (1980 prices) per year during 1995-2000, if fertility remained at its present

level or to about KL197 million (1970 prices) if fertility were gradually reduced to half its present level. In either case, it is most unlikely that the goal of providing basic needs services for all by the year 2000 can be achieved.

23. Income Distribution. Conventional wisdom holds that the benefits of Kenya's economic growth have failed to reach the mass of the population -- that there are glaring and increasing inequalities between rich and poor, educated and uneducated, urban and rural, formal and informal sectors, and commercial and subsistence farmers. The Bank's study of Kenyan poverty and income distribution suggests that, while inequality is a major problem, the dimensions and trends are less unfavorable than frequently supposed. Analysis of the 1974/75 Integrated Rural Survey shows that urban-rural links in Kenya are much stronger than anyone had suspected; 40% of smallholder household income is derived from off-farm sources, including remittances. The links have helped alleviate rural poverty. Access to urban jobs and markets has provided both a stimulus to agricultural production and the wherewithal to finance innovation. However, regions close to Nairobi and better-off smallholders who can afford more education for their children have benefitted more than others, so that rural income distribution has worsened. There is also some evidence that holdings within smallholder areas are becoming more concentrated partly due to purchases of land by those with access to urban incomes. Limited time series data suggest that the proportion of people in absolute poverty in smallholder areas has declined substantially, but the absolute number has probably increased because of the rapid population growth. Some of the policy implications of the Bank study are that provision of modern sector jobs outside Nairobi (particularly in western Kenya) could be a major source of agricultural development and poverty alleviation and that policies to prevent the concentration of land holdings are essential.

24. Two other improvements in income distribution are worth noting. First, the gap between urban wage earners and peasants has been reduced because of price and wage policies. Second, the premium for educated labor has been reduced as the labor market and employment expectations have adjusted to an increased supply of educated labor. Against these gains, however, must be set, first, the failure of the benefits of growth to reach most pastoralists, the landless, and farmers in marginal areas and second, the apparently high growth of non-wage urban incomes which has probably worsened the distribution of income between high and low income groups. The failure to reach the hard core rural poor is a much more intractable problem. In semi-arid areas, technical packages for raising incomes are simply not yet available in many instances. In higher potential areas, adoption of known agricultural techniques could frequently raise incomes of the poorest smallholders, but provision of essential supporting services and resources to give them the incentive to undertake the risk of innovation will require time. Non-agricultural employment growth will be critical to efforts both to provide employment for the landless and to provide supplementary income to rural smallholders. Finally, without a decline in the rate of population growth there is little prospect of eliminating poverty in Kenya.

25. Industrialization. Kenya's trade and industrial policies were originally designed to enable the country to build its own industrial base behind a high wall of protection. This tendency had been further strengthened by the existence of preferential markets in Tanzania and Uganda within the framework of the East African Community (EAC). But when the EAC broke up in 1976, Kenya's industry suffered since high protection had never exposed the industry to international competition. Faced with an internationally uncompetitive industry and a high level of idle capacity, the Government has recognized the need to change the pattern of its industrial and trade policies. As mentioned earlier, the Government has already moved to bring about the necessary policy shift. It is important that the ensuing problems for particular industries be carefully analyzed and that policies for helping potentially viable firms improve their efficiency, be examined. The financial resources required for such an undertaking will also have to be quantified and possibilities of generating them explored.

26. Energy. Kenya has no domestic supplies of petroleum and its other energy resources are extremely limited. Oil accounted for more than 80% of total modern sector energy consumption (i.e., excluding fuel wood and charcoal, the traditional sources of energy), hydro- and thermal-electricity for 15% and coal and coke accounted for about 5% (1978 data). Kenya is an importer of crude petroleum and an exporter of refined products. While the gross volume of Kenya's petroleum imports has been declining, net imports and the import value have increased substantially in recent years. Gross petroleum imports in 1979 accounted for 22% of total imports. In 1980, the oil bill was estimated at 24% of imported goods and 43% of merchandise exports. Measured as a share of GDP at current prices, gross oil imports accounted for about 4% in 1978, while estimated to be around 7% in 1980.

27. Concerned about its lack of a coherent energy policy and knowledge about possible alternative sources of energy, as well as uncertain access to petroleum supplies and the pressure of net petroleum imports on the balance of payments, the Government has started to develop an energy policy; as a first step it has recently set up a new Ministry of Energy. While the Government is justifiably concerned about the petroleum situation, it must not lose sight of the problems of energy use in the traditional sector. Use of wood for fuel and charcoal appears too high in relation to the country's forest resources. This could result in, and in some cases has already caused, deforestation and desertification. This is exacerbated by the already mentioned growing pressure on marginal land for agricultural purposes. Special attention will have to be paid to energy research with the major task to adapt energy technology to the Kenyans' need and to conservation.

28. Food Self-Sufficiency. In 1979 and 1980, Kenya experienced shortages, in varying degrees, of maize, wheat, rice, dairy products and, to some extent, meat. Various factors have contributed to this situation: poor but not extreme weather conditions, inappropriate distribution of storage facilities, poor management, cancellation of the guaranteed minimum return (GMR) credit system without alternative provisions, and a price structure and

purchasing system unfavorable to farmers. These resulted in reduced acreage under cultivation and a shift away from major food crops to other profitable crops such as barley and sugar cane. With regard to maize, Kenya's main staple food, the present shortages are largely due to poor planning and management, and drought. However, given the high rate of population growth, limited arable land, and dependence on cash crops for exports, it is now essential that the food issues (including the question of resource availability and resource use balance) are looked at in the context of an overall agricultural policy, which may or may not imply total self-sufficiency for all major food crops.

29. Public Finance. The Government budget showed large deficits in 1979/80 and 1980/81, despite small increases in real recurrent expenditures and a decline in real development expenditures in 1980/81. In order to again expand the Government's development activities without incurring an unmanageable budget deficit, the financing of which would seriously restrict credit to the private sector, the primary objectives are to bring public sector revenues and expenditure more in line, and adopt a more equitable tax system which would raise the level of revenue collection without jeopardizing incentives to work and save. It is also important to improve budgeting and control system particularly in the parastatal sector.

30. The share of Government revenue in GDP has remained constant at 29% in the last three years; that share, while impressive when compared to other countries, could be higher if efforts were made to deal with a number of problems of tax evasion, poor tax collection, insignificant non-tax revenue from parastatals operations, and a limited and undiversified tax base. There is an urgent need to strengthen tax administration, to bring into the tax system the increasing number of small businesses, and to enforce the tax laws.

31. Because of poor performance of public parastatals and corporations, Government non-tax revenue remains at insignificant levels; in fact, several public enterprises have become a heavy burden on the Government budget. To improve their performance, the Government will have to refrain from subsidizing inefficient parastatals and oblige them to operate on a sound financial basis, *inter alia*, by establishing financial performance criteria which will be applicable to all public enterprises. This requires, however, that the Government accepts rational proposals for tariff and price increases by parastatals and also provides them with efficient management.

Short-term Prospects

32. The Fourth Plan was prepared at the end of the most recent coffee boom. As a result, while it addressed the major long-term development problems facing Kenya, it failed to anticipate and deal with the critical balance of payments and budgetary problems that occurred in 1979 and 1980 and which continue to dominate Kenya's economic prospects. As noted above (paras. 9-11) the Government succeeded in keeping the balance of payment deficit manageable through restrictive monetary and fiscal policies; the result was a slowing down of the growth of the economy to the point where real GDP per capita

declined in both 1979 and 1980. In these circumstances it is not surprising that implementation of the Plan has so far been very slow and that the Government has had to reassess the Plan's targets. This was done in Sessional Paper (SP) No. 4 of 1980 which also included an economic program to deal with the short- and medium-term problems consisting of restrictive fiscal and monetary policies agreed with the IMF and structural adjustment measures agreed with the Bank.

33. However, it is now clear that even the revised annual average growth target of 5.4% between 1979 and 1983 is much too optimistic. Our projections 1/ indicate that an average growth rate of 4.3% in 1981/85, rising to 5.3% in 1986/90, is more realistic, although as detailed below even these low growth rates would require an annual average increase in export volume of 6% in addition to very large capital inflows and determined action to restructure and revitalize the economy. The prospect therefore is for continued stagnation or, in some years, even a decline in per capita GDP in the short and medium-term with some hope for improvement in the longer run.

34. In addition to the restrictive fiscal and monetary policies required to keep the balance of payments and budgetary deficits at manageable levels, the Government needs to carry out the structural reforms outlined in the Plan and initiated in SP No. 4 in order to lay the basis for a resumption of more vigorous growth in 1986-90 and later years. These include measures to: (a) revitalize agricultural production through a gradual change in the Government's marketing and pricing policies towards a more competitive system relying increasingly on market forces, price intervention only in the form of floor and ceiling prices and elimination of food subsidies; (b) continue the process begun under the First Structural Adjustment Credit to change the industrial protective system by replacing quantitative restrictions by equivalent tariffs, and to support and encourage industrial exports; (c) continue the policy of pricing energy (except kerosene) at its full cost and develop a comprehensive energy policy focusing on energy conservation (covering both petroleum and wood-based energy) and development of new energy sources; (d) mobilize additional domestic resources through more efficient tax collection, better financial performance of parastatals, by charging and collecting reasonable fees for public services by parastatals and local governments, as well as by encouraging private savings through, inter alia, appropriate interest rates; (e) review carefully investment projects included in the forward development budget to ensure that projects that are undertaken are fully justified and in line with available resources for investment and recurrent expenditures; and (f) review carefully all proposed borrowing abroad and monitor and manage the external debt within the framework of a comprehensive borrowing plan.

35. The economic situation will clearly make it very difficult to carry out these structural reforms, particularly since they are unlikely to have

---

1/ These projections assume a gradual decline in the incremental capital output ratio, a return of import elasticity to a "normal" level by 1986-90 and some further deterioration in terms of trade by 1985 and little change thereafter (c.f. Attachment 3B, page 35).

much impact in the short-term. On the other hand, they are essential if the Government is to achieve the twin objectives of a significantly positive rate of growth of per capita GDP in the second half of the 1980s and at the same time keep the economy in reasonable balance. Based on the Government's previous record and expressed willingness to deal with its problems we believe that slow but significant progress will be made in all these areas; our projections are based on this judgment. Should our expectations prove unfounded it seems likely that the growth rate will fall considerably short of population growth and that inflationary pressure and balance of payments difficulties will become unmanageable, unless there is an unexpected, and unlikely, improvement in Kenya's terms of trade.

C. External Assistance

36. Balance of payments projections (Table 1) show that Kenya will need much larger amounts of external assistance than foreseen in last year's CPP if it is to achieve even a minimal growth of per capita GDP and, at the same time, continue its program of structural adjustment, in the face of declining terms of trade and rapid population growth. The projections indicate that an average annual GDP growth rate of 4.3% (less than 0.5% in per capita GDP) during 1981-85 would require more than $1.0 billion per year in external financing (in addition to public grants), provided Government policies and good weather combine to achieve 6% annual growth of export volume, i.e. considerably greater than in 1976-81 but about equal to the growth achieved in 1972-76. Traditional donors, including the Bank Group and IMF, could finance perhaps half of this amount, while the rest would have to be raised from suppliers' credits, private capital (including banks) and non-traditional sources such as the oil exporting countries. Although it will be difficult, we believe that Kenya could raise the required external capital without major debt service problems, provided the Government continues to plan its foreign borrowings and manage the increase in its foreign debt carefully and makes every effort to increase the flow of concessional financing from bilateral sources and the proportion of non-project aid; both these objectives will be focused on at the Consultative Group meeting in July 1981.

37. However, it should be recognized that both the projected rate of growth of exports (6% per annum) and the level of foreign borrowing, while not unrealistic, are high and may not be achieved. As detailed in Attachment 6, lower export growth rates would lead to unmanageable balance of payments and debt service problems unless the rate of growth of GDP is reduced drastically and/or there is a sharp improvement in the terms on which external resources are raised. In short, even in the best of circumstances Kenya faces a period of very low real per capita GDP growth and the very real possibility of a decline in per capita GDP.

Table 1: EXTERNAL CAPITAL REQUIREMENTS AND THEIR FINANCING
1981-85

	US$ million	%
Current Account Deficit	3,342	64
Amortization	1,522	29
Reserve Increase	325	7
Total	5,189	100
Private Direct Investment	748	14
Public Medium and Long Term Loans	2,542	49
Private Medium and Long Term Loans	1,688	33
Use of IMF Resources	212	4
	5,189	100

Includes $269 million in public grants under "current transfers."

Creditworthiness and Bank Exposure

38. Kenya's total public debt (disbursed and undisbursed) reached $3.5 billion at the end of 1980, including military debt and a notional 50% share of the debt of the East African Community Corporations. The current debt service ratio is 12.9%; even if Kenya achieves a 6% rate of growth of exports in 1981-85, exercises great care in its foreign borrowing and follows prudent debt management policies the debt service ratio is expected to rise to 19% by 1985 and to gradually decline after 1987 reaching about 18% by 1990. Payments on public debt have accounted for a low and constant share of GDP (2%) in recent years but are projected to reach 5.8% in 1985 and decline slowly after 1988. Debt service payments to the Bank accounted for 14.5% of total debt service payments in 1980; the IDA share was 0.7%. The Bank's share of total debt service payments is forecast to rise to about 16.0% by 1985 and to 18.1% by 1990; while IDA's share will be 1.0% in 1985 and 1.3% in 1990. The IBRD holds 18.5% of Kenya's debt outstanding and disbursed at the end of 1980; this ratio will rise to 22.4% in 1985 and is projected to be about 21.3% in 1990. IDA is presently holding 11% of Kenya's public debt, but this share is forecast to increase to 14.5% in 1985 and 17.7% in 1990.

39. The level of Bank exposure implied in the recommended lending program, including $900 million from the Bank, is acceptable provided: (a) the Government follows prudent debt management policies and in particular implements a suitable external borrowing program; and (b) reasonable progress is made in implementing the program of structural reform underlying our projections. The sensitivity analysis presented in attachment 6 indicates that

the debt service ratio could be above 30%, unless the rate of growth of GDP were sharply reduced and/or the terms on which external funds are raised were much softer than expected. Nevertheless, while the Bank Group's share of Kenya's total external public debt (excluding the IMF) could rise as high as 40% and its share in total debt service to about 20% in 1990, in part due to the repayment of loans with short-term maturities and the switch by other donors from loans to grants, the debt service ratio on Bank Group borrowing would not exceed 4% in 1990 if the two conditions mentioned above were met. We would, of course, have to reevaluate the level of Bank lending, as well as the lending program as a whole (see para. 51 below), should our expectations that these conditions will be met prove to be wrong or export earnings rise much more slowly than forcast.

D. Progress Towards Prior Year Goals

40. The principal aim of our strategy at the time of the last CPP was to support Kenya's efforts to implement the Fourth Development Plan. Our major objectives were to help the Government sustain a reasonable rate of economic growth, to encourage the carrying out of needed policy changes proposed in the Plan, and to assist in improving the capacity of key Government ministries and agencies.

41. At the time our strategy was conceived we were using two important assumptions, namely:

(i) that better financial and economic management, particularly budgetary and balance of payments policies, would relieve the strain on Government counterpart and recurrent funds; and

(ii) that continued reasonably satisfactory implementation of ongoing projects and future projects could be expected.

42. Since the last CPP review ten projects including one structural adjustment credit, have been approved for a total of $183 million, of which $172 million on IDA terms. All these projects are well conceived and in line with Kenya's development objectives.

43. Project implementation in Kenya has historically been good, compared to other countries in the Region, e.g., the proportion of problem projects and of projects with major problems has been relatively low. However, the last few years have seen a disturbing deterioration in Kenya's disbursement performance (see Table 2). While the decline in the disbursement rate since FY76 can in part be explained by the disbursement of a program loan in that year and the high levels of new project commitments in subsequent years, there must be other reasons for the declining absolute level of disbursements since then which is well below the level of commitments.

Table 2

KENYA: IBRD/IDA Disbursements
(in US$ million and FY)

	1976	1977	1978	1979	1980	1981 1st Half
1. Undisbursed balance at end of FY	234.2	342.9	398.9	581.2	712.9	633.7
2. Commitments during FY	118.0	155.0	113.0	251.0	192.0	-
3. Total disbursed during FY 2/	90.3	46.3	57.0	68.7	60.3	79.2 1/
4. Disbursement rate (3 ÷ 1 = %)	38.56	13.50	14.29	11.82	8.46	12.50
5. Comparators (%)						
(a) Disbursement rate for total of other loans in the region	20.66	23.26	18.79	19.61	16.51	
(b) Bank-wide IBRD/IDA average disbursement rate 2/3/	26.83	23.61	19.59	20.15	19.87	
(c) Selected comparators: 2/						
Costa Rica	19.76	27.10	20.88	15.84	19.76	
Ivory Coast	22.11	15.29	19.91	24.18	16.80	
Tanzania	18.96	20.54	18.39	17.19	15.73	

1/ Of which $55.0 under Structural Adjustment Credit.

2/ Excludes exchange adjustments on IDA credits.

3/ Excludes IFC loans.

44. One explanation for the poor disbursement performance is the difficulty and inefficiency in preparing and submitting reimbursement claims by the project agencies and the Treasury. Since an increase in the pipeline of expenditures eligible for reimbursement from the Bank Group and other donors is an important drain on Kenya's scarce foreign exchange reserves, the Treasury has now set up a working party to look into the reasons for delays and devise ways and means of speeding up the process of reimbursement as a matter of urgency.

45. While slowness in presenting reimbursement claims may be partly responsible for the poor disbursement record, the main problem may well be deteriorating project implementation performance. While such a trend does not as yet show up in supervision reports, a review of the portfolio of agriculture projects carried out in preparation for review of the agricultural sector (Country Implementation Review) in January 1981 confirmed that there were severe and increasing problems of project implementation in the sector. While the review identified budgetary problems, stemming in large part from the Government's stringent budgetary policy as having an across the board impact, the main conclusion was that most problems were project specific. The implication of this conclusion is that greater care must be taken in designing, appraising, and supervising projects to ensure, in particular, that the organizational and administrative arrangements are adequate. We should also carefully review the appropriateness of the size and complexity of proposed projects to avoid making them too ambitious. Finally, we should continue to hold periodic Country Implementation Reviews with the Government to discuss overall project implementation; the next review to be held early in the Fall should focus on the poor disbursement record and try to determine whether, on balance, it reflects general and severe implementation problems and limited absorptive capacity.

46. Progress has been made in the area of policy changes in part as a result of discussions in connection with the First Structural Adjustment Credit (SAC). The agreement reached within the framework of the SAC provides for the introduction of a more rational trade regime, an export compensation scheme, improvements in forward budgeting and the preparation of an external borrowing plan. There has been substantial progress in all these areas:

(a) Rationalization of the Trade Regime, Improvement in Export Compensation. In July 1980, the Government abolished the "Letters of No Objection" privilege and replaced most non-tariff barriers with equivalent import duties. Moreover, the Government increased the export compensation rate from 10% to 20% of FOB value of exports and ordered a shift of compensation payments from Customs to the Central Bank of Kenya. But while implementation of the shift is still awaiting the solution of some legal obstacles, the combination of the increased rate of compensation and the threat that Customs might lose this function has resulted in acceleration of payments. Businessmen are pushing harder and paying more attention to their paperwork and Customs is being more accommodating. The purposes of the action have thus been accomplished;

(b) Forward Budgeting. The forward budgeting process (covering three years) has been moving ahead fairly well. The macroeconomic framework was satisfactory, providing for about a 4% per annum real increase in expenditures. Guidelines circulated to the ministries for preparation of their submissions also appear to have been satisfactory. Procedures established for review of submissions are being applied carefully. The major problem, however, is that budgetary submissions have been delayed by some ministries in anticipation of a decision on a general civil service salary increase. But since the increase has already been granted, the review process is expected to be completed soon;

(c) External Borrowing Plan. Work on the plan can hardly be said to have begun. There are, however, some hopeful signs and positive developments. The Ministry of Finance has been reorganized and clear responsibility for debt reporting has been established. Positions have been approved for some additional staff in the external debt unit. With the help of two missions from the Bank, a debt reporting form has been devised and sent to all ministries and parastatals. This form requires reporting of transactions on outstanding loans and of borrowing plans for the next fiscal year. Most of the forms have been completed by the various organizations, but the quality of reporting is poor. It will be necessary to visit each organization individually to clean up the data. This will be a time-consuming and staff-intensive chore, but it is necessary if the statistical base is to be built for a proper debt exercise. For the moment, work on the borrowing plan has been delayed to allow staff to complete the abovementioned study of delays in reimbursements of expenditures financed by external aid. The Government has been told, however, that it will not be possible to appraise a second structural adjustment operation until an external borrowing plan has been formulated.

47. While it is too early to pass a judgment on ongoing efforts to strengthen the capacity of important Government operating ministries and agencies, it is our feeling that we have made some progress in assisting to improve the research and advisory capacity of at least two key ministries, namely those of Finance and Economic Development and Planning through ongoing UNDP financed projects for which the Bank is executing agency.

E. World Bank Strategy

48. To date, Kenya has received 36 Bank loans, including three on Third Window terms, and 34 IDA credits amounting to $1,321.6 million, which support 62 projects. In addition, Kenya has been one of the beneficiaries

of 10 loans totalling \$244.8 million which have been extended for the development of common services operated regionally for the three Partner States of the East African Community. Through FY75 the Bank Group lent to Kenya \$368.6 million for 30 projects. Between FY76-78 and FY79-81 the Bank increased its lending to Kenya by 47%, and the number of operations by 13%.

49. The primary aim of Bank strategy in the next few years should be to assist Kenya to implement the program of structural reform, which is necessary for renewed per capita GDP growth in the medium term, and the revised Fourth Development Plan. The main vehicle would be quick disbursing assistance designed to provide short-term balance of payments support before the results of the reform measures are felt; such assistance would be closely tied to progress in carrying out the structural reform program. The proposed structural adjustment lending would be supplemented by lending for projects which directly support the Government's restructuring effort (i.e. Grain Storage and Marketing) or which directly address some of Kenya's long-term development problems (i.e. Second Rural Health and Population Project). The economic and sector work program has also been designed to deal primarily with issues that arise in these areas.

Level of Lending

50. In the past, the Bank Group has maintained a comparatively high level of lending to Kenya despite high Bank exposure both in terms of the share of total external debt outstanding, and the share of debt service (para 35). This was justified by Kenya's projected long-term creditworthiness as largely determined by the Government's responsiveness to advice and willingness to accept and implement relevant policy measures. We believe that this is still valid and therefore propose a total lending program for 1982-86 of \$1,500.0 million for 27 projects and average Bank Group financing of close to \$56 million per project (\$50 million excluding two proposed structural adjustment operations). Under the proposed lending program the Bank Group would provide about 27% of total financing requirements and 52% of total projected disbursements of public medium and long term loans (excluding the IMF) in 1981-85. While the levels of lending would be considerably higher than in recent years these ratios are not significantly different from those prevailing in FY 76 and 77. The proposed lending program which is somewhat lower than that proposed by the Region in November 1980, represents an increase of \$98 million over the presently approved FY81-85 program primarily to permit an increase in the amount of the proposed structural adjustment operations without an undue reduction in project lending.

51. The proposed lending program, and in particular the proposed structural adjustment operations, is based on the assumption that the Government will continue to take the necessary policy measures to achieve economic recovery and structural changes. We would therefore have to re-examine our whole lending program should the Government fail to introduce and implement such policies, and not only delete any structural adjustment lending but also review all project proposals to determine their priority and feasibility in the then prevailing economic environment.

Program Lending

52. The Kenyan economy is highly import dependent and lack of sufficient foreign exchange for essential imports has a pervasive and strangling effect on all sectors of the economy. As discussed in para 34 above, our projections indicate that in order to achieve a level of imports necessary to sustain an annual average growth rate of a modest 4.3% during the period 1981-85, Kenya would need average annual inflows of foreign exchange of more than $1.0 billion a year. To achieve this level of inflows without seriously impairing its future creditworthiness by borrowing on unsuitable terms, Kenya would not only have to reach agreement with the IMF on an EFF but also persuade bilateral donors to increase total aid and, at the same time, increase the proportion of quick disbursing non-project assistance. Since Kenya's financing requirements are now considerably greater than we had earlier thought, it is important that the Bank increase its own program lending in order not only to help fill the gap but also to encourage others to increase their quick disbursing assistance. We therefore propose two structural adjustment operations, one of $130 million in FY82 and one of $120 million in FY84.

53. The structural adjustment operations should be seen as steps in a process of policy formulation and action designed to result, over a three to five year period, in sustained growth and a manageable balance of payments situation. These operations would, therefore, be conditional on adequate progress in carrying out a detailed and coherent policy package along the lines discussed in para. 34. Execution of the program supported by the first operation has been relatively successful; a policy package that will form the basis for the proposed Second Structural Adjustment operation has been completed and discussed by the Loan Committee recently. While the details of the program are not yet finalized it includes a continuation of the process of rationalization of the system of industrial protection and measures to improve incentives for exports. It also covers policy measures designed to revitalize agricultural production and to develop a coherent energy program. In addition, we propose to raise with the Government the advisability of an early exchange rate adjustment. The proposed credit would be dependent on the adoption by the Government of an acceptable development budget for 1981/82 and forward budgets for 1982/83 and 1983/84, as well as an acceptable foreign borrowing plan. Finally, we expect that Kenya will reach agreement with the IMF on fiscal and monetary targets for the next fiscal year and that these agreements will be adhered to so that Kenya will remain eligible to draw on IMF resources. We do not expect to have major disagreements with the Government on any of these conditions, some of which have already been referred to in the Finance Minister's budget speech, although there may be differences of view on questions of emphasis and timing of some measures.

Terms of Lending

54. In this CPP we propose an increase in the presently approved FY81-85 IDA allocation for Kenya from $465 million (equal to 37% of the lending program), to $561.5 million (41%), and $600 million (40%) in FY82-86. The proposed level of IDA lending would be equal to $7.8 per annum in per capita

terms. In the current IDA-VI (FY81-83) period, the proposed lending program would result in total IDA credits of $291.0 million which is $6 million above the presently approved level; for the following three years, total IDA lending would be $420 million. The increase is justified on the basis of: (a) Kenya's rising debt service ratio and high Bank exposure through most of the 1980s; and (b) Kenya's performance which is expected to improve substantially over the next five years as a result of the structural reforms already in progress and expected to be supported by the proposed structural adjustment lending. It is further justified on grounds of comparison with other countries in the same per capita income group. In addition, we believe that Kenya's recent performance and the Government's unchanged commitment to social and economic reforms qualify Kenya for the proposed increase in IDA allocations.

Domestic Cost Financing

55. In recent years there has been a rapidly growing gap between the growth of public revenues and public expenditures. Efforts to balance these have so far been at the expense of development expenditure by delaying the implementation of some projects. As a result delays in project implementation due to lack of counterpart funds is becoming worrisome and it is likely to be some years before public savings can be restored to adequate levels. In order to help the Government achieve this objective by carrying out its program of policy changes and at the same time avoid costly delays in project implementation, we recommend that the Bank Group continue to lend up to at least 75% of total financing requirements (including all cofinancing) and to continue to finance local costs of projects where appropriate. While for the larger projects cofinancing will be mobilized and assuming that the Government makes an adequate public savings effort, this would also provide adequate support for particularly important development projects under the prevailing severe financial constraints.

Population Policy

56. Rapid population growth remains Kenya's most difficult, pervasive and urgent development problem. There are no easy solutions to this problem which is rooted in Kenya's society and culture. Although there is now growing understanding of the effects of rapid population growth among the political leaders, a large family (more than seven children) is still a goal of most women. Their attitudes must be changed if Kenya is to achieve any substantial decline in the rate of population growth. However, it does appear that fertility has declined among certain groups and in certain situations, i.e., in urban areas, among women with more than minimal education and among women who participate in the labor force. This indicates that deliberate efforts in other areas of social development to affect attitudes towards family planning and family size are likely to encourage the use of family planning and reduce fertility.

57. The Bank can assist in this area in several ways. First, we have included in the lending program two population projects; they will have large information and education components designed to increase the demand for family planning services, as well as components aimed at improving the supply

of such services. Second, given the importance of information and education, as well as high level political support, the establishment of a National Council on Population and Development located in the Office of the President will be a condition not only of negotiations of the next population project, but a condition of the proposed structural adjustment operation as well. Third, projects in all sectors, but particularly in rural and urban development, as well as education and smallholder agriculture will be reviewed with a view to including design features supporting trends which have been shown to help reduce fertility and change attitudes towards family size, e.g., by improving access to education and increasing the opportunities for wage employment among women in rural areas. Fourth, discussions will be initiated with the Government on feasibility and desirablility of introducing more general incentives and/or disincentives designed to affect actual family size; these might include e.g., reintroduction of school fees for the third or fourth child in a family. Finally, in order to ensure that the population problem is explicitly addressed wherever appropriate in project and economic work, the Region has decided to establish a working party of programs and projects staff to consider how the Bank can most effectively help the Government deal with the problem; its first task will be to draw up an action program to be implemented over the next several years.

Economic and Sector Work Program

58. The economic and sector work program, which is set out in detail for FY82-83 in the agenda of studies in Attachment 7, has been designed to improve the Bank's understanding of the key structural relationships in Kenya's economy and policy issues facing the Government and to improve the analytical basis for our lending and policy recommendations. Studies which are about to be completed include the Basic Economic Report, an Agriculture Sector Memorandum and an Economic Memorandum for the Consultative Group; the field work for an Urban Sector Memorandum and Energy Sector Study has been completed. The conclusions and recommendations of these studies, particularly the Agriculture Sector Memorandum and the Energy Sector Study have been, or are being, incorporated in the First Structural Adjustment Credits and the Initiating Memorandum for the proposed Second Structural Adjustment operation. Other studies in FY82-83 will concentrate on key issues in agriculture (including pricing, marketing, credit and interest rates, land use and institutional efficiency, e.g., cooperatives) and industry (including a continuing review of the effects of changes being made in the protective system, investment incentives, efficiency of key financial sector institutions and agroindustries), themes which will be continued in FY84 and FY85; the program in those later years will also include follow-up work to the Energy and Urban studies particularly in the areas of energy demand management and urban (local government) financing. The economic work program will concentrate on reviewing and reporting on economic performance, including progress under programs agreed in connection with structural adjustment lending, and analysis of the Fifth Development Plan scheduled to go into operation in mid-1983. Other studies that will be carried out in FY84-86 will include additional work needed to better understand the determinants of fertility and family size, as well as private, including corporate, savings. Increased emphasis will also be put on public administration, in particular the parastatals sector. Finally, it should be noted that considerable analytical work in connection with the efforts to project for which the Bank is acting as executing agency.

Resident Mission

59. The significant increase in our lending to Kenya over the last few years and the policy initiatives agreed with the Government as a basis for our structural adjustment lending have emphasized the importance of our discussion and coordination with the Government. In addition, in attending Country Implementation Review meetings and various donor coordinating meetings for especially complex cofinanced projects, the Resident Representative provides useful support for our work in Washington. The current arrangement under which the Director of the Regional Mission in East Africa is also Resident Representative in Kenya, assisted by a Deputy Resident Representative, is satisfactory and will be continued.

International Finance Corporation (IFC)

60. IFC has committed a total of $44.2 million for six companies in Kenya: Pan African Paper Mills Ltd.; Kenya Hotel Properties Ltd.; Tourism Promotion Services (Kenya) Ltd.; Rift Valley Textiles Ltd. and Development Finance Company of Kenya. A credit line for medium- and small-scale enterprises was extended to the Commercial Bank of Kenya. As of October 31, 1980, IFC held for its own account $32.6 million comprising $26.6 million of loans and $9.4 million of equity. We are working in close cooperation with IFC and may be involved in co-financing a project to expand the production of soda ash. IFC's involvement depends on agreement being reached between the Kenya Government and ICI/Magadi Soda Company on the future structure and expanded operations of the company; the Bank may be called upon to provide finance for improved infrastructure. IFC is providing a loan of $5 million to Pan African Paper Mills to help finance an increase in its unbleached paper capacity and a mechanical pulp mill, which will enable the company to produce newsprint. IFC is also considering a second credit line for medium- and small-scale enterprise, a venture capital project with the Aga Khan Group, a pulp export project, a project with Bamburi Cement to convert from using fuel oil to coal, a tinplate project, and a project to manufacture milk packaging materials. It has also had preliminary discussions concerning the improvement of the Mombasa refinery, a project that may be cofinanced with the Bank. IFC's Five Year Plan calls for between one and two new investments annually in Kenya. IFC investments in Kenya will be consistent with the Government's restructuring program and in support of policies agreed with the Bank in the context of its structural adjustment lending.

F. World Bank Program

61. In this CPP, we recommend a five year lending program (FY82-86) of 27 projects for $1,500 million. This includes two Structural Adjustment operations for $250 million. The sectoral distribution of the proposed lending program (Table 3 below) suggests 41% to directly productive projects, 26% for infrastructure projects in transport, communication and power, 16% for social projects in the areas of population, education, and urban development, and 17% for program lending.

Table 3: PROPOSED LENDING PROGRAM FY82-86: SECTORAL DISTRIBUTION

Sector	Total Amount ($ million)	% of Total	No. of Projects	% of Total
1. Agriculture	485.0	32.3	10	37.1
2. Industry	140.0	9.3	3	11.1
3. Social Services	240.0	16.0	6	22.2
4. Infrastructure	385.0	25.7	6	22.2
5. Program Lending	250.0	16.7	2	7.4
Total	1,500.0	100.0	27	100.0

Agriculture and Rural Development

62. We consider that the most important issues in agriculture at present are the need to increase agricultural production both for export and for domestic consumption and to improve distribution systems; the problem of clarifying land policy issues in view of population pressure on land, equity and efficiency concerns arising from tenure patterns; and concerns with protection of land resources. The resolution of these issues will require a more systematic approach to the development of appropriate institutional arrangements for the sector, including strengthening of research and extension services, reviewing the role of cooperatives and parastatal institutions in agricultural development, and improving investment planning and financial control systems. It will also require a program of action on marketing and pricing policies, Government regulation of land tenure and resource protection programs, and provision of credit for agricultural development. The Government is specifically addressing many of these issues through policy papers being considered by the Cabinet; we plan to assist through financing agricultural and technical assistance projects as well as through sector work focusing on areas of critical concern.

63. To assist the Government tackle these critical issues we plan a number of operations. First, we will continue lending to the Agricultural Finance Corporation which will in turn relend to farmers in both the high and low potential areas for expansion of agricultural output. Secondly, we plan to continue our assistance for the Integrated Agricultural Development Program (IADP), the main vehicle for smallholder development policy. In the context of this program we will through a series of projects address the problems of extension services, cooperative credit and support to institutions, cotton development, assistance to farmers in the older settlement areas and on subdivided large farms and consolidation of development in areas concerning the first two projects. A major problem in legalizing unofficially subdivided large farms will be the land survey capacity; we will therefore consider assisting Government to increase the country's survey capacity. In connection with securing essential food supplies we have brought forward a planned Grain Marketing and Storage project from FY84 to FY83 and may seek to respond

quickly to urgent needs through an even earlier pilot project. Regarding the development of marginal crop lands we plan to introduce a second Arid and Semi-Arid Areas project which would incorporate findings of the ongoing Baringo project. Our proposed lending program also includes a Third Forestry project to help the Government in its reforestation and soil conservation efforts. We plan to initiate discussions of a possible Agricultural Research project and support for Small Scale Irrigation Development. Finally, discussions have started with Government about a Pyrethrum project.

Industry

64. The main issue in the industrial sector will continue to be the Government's ability to implement a program of trade and industrial policy reform to increase sectoral efficiency and promote export-oriented production. With the implementation of the policy measures agreed under the First Structural Adjustment Credit the Government has taken the first of a series of steps necessary for implementing the policy reforms; these will be followed up in the context of the proposed structural adjustment operations.

65. Our strategy will also continue to emphasize financial intermediation, which has been our major involvement in the past, through the Industrial Development Bank (IDB) and the Kenya Industrial Estates (KIE). To date, we have provided four loans to IDB and one credit to KIE. In the proposed program, we intend to approach the next assistance to large and medium scale industry possibly through a common financing channel which could be the Ministry of Finance or the Central Bank. Such an approach would reduce our traditional emphasis on institution building, per se, and concentrate Bank Group project assistance increasingly on industrial policy issues and on providing funds to the industrial sector through a number of suitable intermediaries. Assistance to small scale industry will, however, most likely continue to be channelled through KIE.

66. Although we have not yet seen very good progress on this front, we will renew our efforts to assist industrial projects directly. Recognizing the serious industrial project preparation delays occasioned in part by the creation of a new Ministry of Industry which is still inadequately staffed and directed, we nevertheless believe that at least one industrial project (viz. soda ash development/export) can be ready for financing by the Bank during the period FY82-86. In addition, we may, as noted below, consider financing investments in the cement industry to reduce their use of important fuel.

Energy

67. Kenya is a net importer of petroleum and her other energy resources are extremely limited, and, in the case of her forests, are being rapidly depleted. In this situation there is an urgent need to formulate a comprehensive energy plan designed to conserve energy and to develop alternative or supplementary energy soruces. As noted above, energy planning and demand management will be one of the issues discussed in connection with structural

adjustment lending; institutional support will be provided under a proposed Petroleum Exploration Promotion project. In addition, the lending program includes several projects which would help develop existing or new energy sources or assist in the conservation of energy.

68. The Bank has had a long and continuous involvement in the power sector; four previous lending operations have assisted the development of Kenya's hydroelectric and geothermal power potential. The Bank has now been asked to assist in and coordinate the financing of another 140 MW hydro-electric power station at Kiambere on the lower Tana River, with a total cost of $306 million, of which about $200 million in foreign exchange.

69. High priority has also been given by Government to the acceleration of oil exploration. The Bank will assist with the proposed Petroleum Exploration Promotion project which is designed to help attract experienced oil exploration companies to carry out exploration programs under conditions suitable to both parties.

70. In the course of its field work the energy sector mission identified tentatively a number of investment opportunities in energy conservation that might be suitable for Bank financing. These include conversion of existing cement factories from fuel oil to coal and fuel conserving changes in their production processes, installation of a cracking plant at the refinery in Mombasa to improve the product mix there, as well as the conversion of existing home electric water heaters to solar energy; a refinery project has been included in the lending program in FY84, a cement project appears in the reserve program for FY83, and we are exploring the possibility of including financing for heater conversion in another Bank-financed project. Finally, conservation has been one of the major focuses of the Third Forestry Project and discussions have been held in this context about the possibility of including a small component in the project to introduce improved woodburning stoves.

Transportation

71. The main issues in the transportation sector continue to be inter-modal, coordination and planning, particularly between rail and road, allocation of resources between maintainance, rehabilitation and new construction in the highway subsector and the need to improve efficiency and reliability of railroad services. Concern about energy conservation has exacerbated the need for careful consideration of the most efficient allocation of traffic between modes not only to minimize cost, but, especially important, to minimize fuel consumption. These issues will be addressed in the context of the preparation of a recently initiated transport memorandum. We will also pursue these issues through the proposed Second Highway Sector loan under which we would continue to support the Government's road maintenance program, upgrading of the existing road network and construction of new rural roads. Through a Second Railway project we proposed to provide assistance to Kenya Railways to continue improving the efficiency and reliability of its service.

Education

72. In general education there is a need to improve the quality and efficiency of the education system and to expand it to meet identified manpower needs within the Government's financial capacity. There is also an urgent need to train manpower for priority development projects, since the lack of qualified personnel has been a serious constraint in the implementation of various programs by the public sector. The Government is undertaking a manpower survey, and new estimates of manpower requirements by sector and skill level are expected to be available when this survey is completed. This would form the basis for a sixth education project designed to meet the most urgent needs of the sector and most likely continue the main thrust of the Fifth Education Project which provides assistance to Kenya for the training of managerial staff for primary and secondary schools, and for the provision of higher and middle level technicians in agriculture, water development and industry. The project also includes a pre-investment study to identify the needs and availability of business education and training in the country, since qualified personnel in the business field, such as managers, accountants and bookkeepers are in particular short supply; this area could become the focus of future Bank Group assistance for the education sector.

Urban Development

73. One of the major issues in this sector is the need for changes in the structure of local authority finances, since the Councils are incurring large increases in capital and recurrent expenditures while their revenue base is constrained. The Bank has supported efforts by the Government to improve municipal finances by requiring the revaluation of property and the improvement of municipal debt collections, by providing technical assistance to the Ministry of Local Government, and by assisting in the implementation of accounting and management information systems. However, a long-term resolution of the problem of inadequate financial resources for local authorities will require implementation of structural reforms on a national level, many of which are currently being reviewed by Cabinet. The Bank is holding discussions with the Government of Kenya to encourage resolution of this outstanding issue. An urban sector review mission is planned for April 1981, to examine this and other related issues of improving resource mobilization and application for urban development in Kenya.

74. It is Government's policy to encourage the growth of a number of selected towns of all sizes from market centers to major secondary cities throughout Kenya, partly to divert urban migration away from Nairobi and Mombasa and partly to provide an integrated urban network to provide employment, and support economic growth in all sections of the country. The proposed Third Urban project would support this policy by increasing the housing stock for the low income population, improve the supply of basic and essential services for that category of urban dwellers and increase available income earning opportunities in a number of small and medium sized urban centers. Further, the National Housing Corporation (NHC) the implementing agency for this project and future projects of a similar nature, will be strengthened.

The proposed fourth urban project would continue the Government´s decentralization strategy by supporting infrastructure and urban administration improvement in Kenya´s secondary cities.

75. The proposed urban transport project is the first transport project in the urban sector in Kenya. The project addresses key urban transport problems in Nairobi and Mombasa, specifically inadequate public transport services and traffic congestion in Nairobi and deterioration of roads in Mombasa. In both cities the project would also address the transport needs of low income groups and would assist matatu (informal mini-buses) owners/drivers to purchase new vehicles, adequately maintain them and improve the safety and level of service offered to the public.

Population : 15.3 million (1979)
GNP Per Capita : $380 (1979)
Area : 582,647 km 2
Literacy Rate : 40% (1975)

Attachment 1A

KENYA: ACTUAL AND PROPOSED PROGRAM OF LENDING OPERATIONS THROUGH FY86
($ Million)

		Through	Actual					Current	Program					Total	Total	Total	Total	Reserve
		FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY71-75 1/	FY76-80 1/	FY81-85	FY82-86	Projects
Agriculture																		
Agricultural Credit I	IDA	3.6																
Agricultural Credit II	IDA	6.0																
Agricultural Credit III	TW/IDA			5.0/20.0														
Agricultural Credit IV	IBRD/IDA							25.0/10.0										
Agricultural Credit V	IDA												50.0					
Agric. Processing III	IBRD											50.0*						
Cotton Processing & Marketing	IDA								30.0									
Cotton Production	IDA										15.0							
Fisheries I	IDA						10.0											
Integrated Agri. Dev. I	TW/IDA			10.0/10.0														
Integrated Agri. Dev. II	IDA						46.0											
Integrated Agri. Dev. III	IDA										55.0*							
Integrated Agri. Dev. IV	IDA												50.0					
Narok Agricultural Dev. I	IBRD					13.0												
Narok Agric. Dev. II	IDA																	20.0(FY85)
Group Farms Rehab.	IBRD/IDA	7.5/7.5																
Grain Marketing	IDA									55.0*								
Irrigation I(Bura West)	IBRD/IDA			34.0/6.0														
Irrigation II (Bura East)	IBRD											60.0						
Tea Development I	IDA	2.8																
Tea Development II	IDA	2.1																
Tea Roads	IDA	3.0																
Tea Factories	IBRD	10.4																
Smallholder Coffee	IDA					27.0												
Sericulture	IDA																	10.0(FY83)
Sugar I	IBRD			25.0														
Sugar II	IBRD					72.0												
Livestock I	IDA	3.6																
Livestock II	IDA	21.5																
Livestock III	IDA																	20.0(FY86)
Forestry I	IBRD	2.6																
Forestry II	IBRD/IDA	10.0/10.0 2/																
Forestry III	IBRD								75.0									
Land Settlement I	IBRD	8.4																
Arid & Semi-Arid Areas I (Baringo)	IDA						6.5											
Arid & Semi-Arid Areas II	IDA											45.0*						
Agricultural Roads	IDA	5.3																
African Agriculture	IBRD	5.6																
Education																		
Education I	IDA	7.0																
Education II	IDA	6.1																
Education III	IBRD		10.0															
Education IV	IDA				23.0													
Education V	IDA							40.0										
Education VI	IDA										50.0							
Industry																		
DFC I	IBRD	5.0																
DFC II	IBRD		10.0															
DFC III	IBRD			20.0														
DFC IV	IBRD						30.0											
DFC VI	IBRD												70.0					
Small Scale Industry I	IDA				10.0													
DFC V	IBRD									45.0								
Industry I (Soda Ash)	IBRD										25.0*							
Industry II (Leather)	IBRD																	35.0(FY83)
Industry III (Soda Ash)	IBRD																	70.0(FY85)
Industry IV (Cement)	IBRD																	40.0(FY85)
Small Scale Industry II	IDA																	20.0(FY83)
Population																		
Population I	IDA	12.0																
Population II	IDA								40.0									
Population III	IBRD/IDA											20/40						
Energy & Water Supply																		
Petroleum Exp. & Promotion	IBRD								5.0									
Refinery	IBRD										50.0							
Power I	IBRD	23.0																
Power II	IBRD		63.0															
Power III (Olkaria Geothermal)	IBRD						31.0											
Power IV	IBRD									85.0								
Power V	IBRD/IDA																	100.0 (FY 86)
Olkaria Geothermal Engineering	IBRD					9.0												
Water Supply I (Nairobi)	IBRD	8.3																
Water Supply II (Coast)	IBRD		35.0															
Water Supply III (Nairobi)	IBRD				30.0													
Rural Water Supply I	IBRD					20.0												
Rural Water Supply II	IDA												30.0					
Urban Water Supply	IBRD																	20.0(FY83)
Wildlife and Tourism																		
Wildlife and Tourism I	TW			17.0														
Transportation																		
Highways I	IDA	4.5																
Highways II	IDA	10.7																
Highways III	IBRD	23.5																
Highways IV	IDA	22.0																
Highways V	IBRD	29.0																
Highway Maintenance	IDA	12.6																
Highway Sector I	IBRD					90.0												
Highway Sector II	IBRD											90.0*						
Oil Products Pipeline	IBRD	20.0																
Nairobi Airport	IBRD	29.0																
Rural Access Roads	IBRD/IDA			4.0/4.0														
Railways	IBRD							58.0										
Railways II	IBRD												80.0*					
Harbours	IBRD																	40.0(FY84)
Telecommunications																		
Telecom. I	IBRD					20.0												
Telecom. II	IBRD									50.0								
Urban																		
Urban Development I	IBRD/IDA	8.0/8.0																
Urban Development II	IBRD/IDA				25.0/25.0													
Urban Transport	IBRD									30.0*								
Urban Development III (Small Towns)	IBRD										40.0							
Urban Development V	IBRD																	50.0(FY85)
Structural Adjustment Lending																		
Program Loan	IBRD	30.0																
Structural Adj. Cr. I	IDA						55.0											
Structural Adj. Cr. II	IBRD/IDA								45.0/85.0									
Structural Adj. Cr. III	IBRD/IDA										80/40*							
Structural Adj. Cr. IV	IDA																	50.0 (FY86)
Technical Assistance (Export Promotion)	IDA						4.5											
Technical Assistance(Agri)	IDA								15.0									
LENDING PROGRAM	IBRD/TW	220.3	118.0	83.0/32.0	55.0	211.0	61.0	83.0	125.0	210.0	195.0	220.0	150.0	180.2	522.4 /32.0	833.0	900.0	
	IDA	148.3	--	40.0	58.0	40.0	122.0	50.0	170.0	55.0	160.0	85.0	130.0	99.6	260.0	520.0	600.0	
	Total	368.6	118.0	155.0	113.0	251.0	183.0	133.0	295.0	265.0	355.0	305.0	280.0	279.8	814.4	1353.0	1500.0	
	Number	30	4	7	4	7	7	3	5	5	7	5	5	18	29	25	27	
	(of which, IDA)	(18)	(-)	(-)	(2)	(2)	(5)	1	2	2	2	1	(2)	(7)	(9)	(8)	(9)	
Lending Program in Constant FY81 Commitment $			188.5	219.5	143.9	292.2	196.8	133.0	275.4	232.3	292.9	237.2	205.4	512.5	1040.9	1170.8	1243.2	
Commitment Deflator (FY81 = 100)			62.6	70.6	78.5	85.9	93.0 3/	100.0	107.1	114.1	121.2	128.6	136.3					
Standby Projects	IBRD								30.0	105.0	140.0	80.0						
	IDA								55.0	95.0	45.0	-						
	Total								85.0	200.0	185.0	80.0						
	Number								(2)	(3)	(3)	(1)						

1/ Excludes EAC
2/ Includes NORAD participation
3/ Estimated
* Standby projects

EAN CPIA
July 8, 1981

Attachment 1B

KENYA

Summary of Bank Group and Other Official Lending

SECTORAL DISTRIBUTION OF BANK GROUP COMMITMENTS (%)	Through FY75	FY76	FY77	FY78	FY79	FY80	CURRENT FY81	FY82	FY83	FY84	FY85	FY86	TOTAL FY71-75	TOTAL FY76-80	TOTAL FY81-85	TOTAL FY82-86
Agric. and Rural Dev.	29.8	-	71.0	-	44.6	34.4	26.3	33.9	26.4	14.5	58.5	35.7	26.1	34.9	31.0	32.3
Energy 1/	-	-	-	-	-	-	-	1.6	-	10.5	-		-	-	3.3	3.0
Industry	1.4	8.5	12.9	8.8	-	16.4	-	-	17.0	6.6	-	25.0	1.8	8.6	5.2	9.3
Power	6.2		-	-	3.6	16.9	-	-	22.6	-	-	-	8.2	12.6	4.4	4.0
Pop., Health & Nutrition	3.3	-	-	-	-	-	-	12.9	-	-	22.6	-	4.3	-	7.4	6.7
Telecommunications	-	-	-	-	8.0	-	-	-	18.9	-	-	-	-	2.5	3.7	3.3
Transportation	41.0	-	5.2	-	35.9	-	43.6	-	-	23.7	-	28.6	40.2	12.0	10.9	11.3
Urban Development	4.3	-	-	44.2	-	-	-	9.7	15.1	-	18.9	-	5.7	6.1	8.9	8.0
Water Supply	2.3	29.7	-	26.5	8.0	-	-	-	-	-	-	10.7	3.0	10.4	-	2.0
Other	11.7	8.5	11.0	20.4	-	32.5	30.1	41.9	-	44.7	-	-	10.7	13.4	25.1	20.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

BANK GROUP DISBURSEMENTS (US$ Million)	Through FY75	FY76	FY77	FY78	FY79	FY80	CURRENT FY81	FY82	FY83	FY84	FY85	FY86	TOTAL FY71-75	TOTAL FY76-80	TOTAL FY81-85	TOTAL FY82-86
IBRD o/s incl. undisbursed	212.2 3/	322.7 4/	443.7 5/	526.0 6/	747.2 7/	817.0 8/	890.2	1014.1	1189.3	1395.5	1536.1	1641.1	-	-	-	-
excl. undisbursed	83.3 3/	158.4 4/	195.7 5/	260.9 6/	319.8 7/	362.8 8/	408.3	520.1	650.5	774.7	938.6	1071.3	-			
IBRD Gross Disbursements	84.1	79.0	33.1	38.5	46.7	42.6	55.2	127.6	150.4	153.0	203.2	177.7	75.2	239.9	689.4	811.9
less amortization	7.0	1.2	0.9	4.4	4.9	9.0	11.0	15.8	20.0	28.8	39.3	45.0	1.5	20.4	114.9	148.9
equals: net disbursements	77.1	77.8	32.2	34.1	41.8	33.6	44.2	111.8	130.4	124.2	163.9	132.7	73.7	219.5	574.5	663.0
less: interests & charges	14.1	11.7	13.2	19.2	23.7	28.9	32.6	37.6	48.0	59.7	74.2	90.1	11.9	96.7	252.1	309.6
equals: net transfer	63.0	66.1	19.0	14.9	18.1	4.7	11.6	74.2	82.4	64.5	89.7	42.6	61.8	122.8	322.4	353.4
IBRD/IDA Gross Disbursements	154.0	90.3	46.3	57.0	68.7	60.3	126.3	219.0	265.0	216.8	297.7	269.3	115.3	322.6	1124.8	1267.8
less: amortization	7.1	1.3	1.1	4.7	3.9	9.5	11.6	16.5	20.9	29.9	40.9	46.7	1.6	20.5	119.8	154.9
equals: net disbursements	146.9	89.0	45.2	52.3	64.8	50.8	114.7	202.5	244.1	186.9	256.8	222.6	113.7	302.1	1005.0	1112.9
less: interest & charges	32.3	12.3	13.9	20.0	20.3	29.9	33.8	39.4	50.5	63.0	78.0	135.1	13.8	96.4	264.7	366.0
equals: net transfer	114.6	76.7	31.3	32.3	44.5	20.9	80.9	163.1	193.6	123.9	178.8	87.5	99.9	205.7	740.3	746.9

	Actual						Projected					
CY	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1990
IBRD EXPOSURE (%)												
IBRD Disbursements/Total Gross Disbursements	41.9	37.0	44.5	14.6	10.7	9.9	22.1	16.9	25.4	16.6	15.4	15.2
IBRD DOD/Total DOD	18.6	24.2	37.7	25.2	22.2	18.4	20.3	20.5	22.7	22.6	22.4	21.3
IBRD Debt Service/Total Debt Service	17.7	29.7	31.3	21.0	28.6	13.4	12.0	13.6	13.6	15.8	16.0	18.1

COMMITMENTS FROM OFFICIAL SOURCES (US$ Million)

Grants						
Total Grants	95.1	110.6	141.7 9/	157.7 9/		
Germany, Fed. Rep. of	10.8	11.3				
Netherlands	8.0	11.0				
Norway	9.3	8.9				
Sweden	14.8	20.0				
United Kingdon	12.8	25.7				
United States	5.0	7.0				
European Dev. Fund	5.7	0.8				
Other	28.7	25.9				
Concessional Loans						
Total Bilateral	76.2	15.0	65.7	151.5	101.1	
Canada	0.8	-	1.0	-	58.1	
Denmark	-	8.3	-	16.3	-	
France	-	-	-	11.1	-	
Germany, Fed. Rep. of	16.6	5.4	8.3	41.0	39.6	
Japan	16.5	-	2.8	16.1	-	
Netherlands	20.0	-	28.1	19.5	-	
Saudi Arabia	-	-	-	25.7	-	
United Kingdom	6.8	-	0.1	-	-	
United States	13.5	-	24.0	20.2	3.4	
Other	2.0	1.3	1.4	1.6	-	
Total Multilateral	32.7	46.0	85.0	100.1	56.1	
African Dev. Fund	-	-	-	-	10.3	
BADEA/ABEDA	-	5.0	-	-	-	
European Dev. Fund	-	-	30.0	-	-	
European Invest. Bank	-	-	-	15.3	-	
IBRD	-	27.0	5.0	-	-	
IDA	25.5	14.0	36.0	61.0	27.0	
IMF Trust Fund	-	-	6.0	18.5	18.8	
OPEC Special Fund	-	-	8.0	5.3	-	
Other	7.2	-	-	-	-	
Non-concessional Loans						
Total Bilateral	17.5	20.4	3.3	22.4	32.3	
Germany, Fed. Rep. of	-	4.2	-	-	-	
India	-	2.6	-	-	2.5	
Japan	2.5	-	-	-	-	
Netherlands	-	1.8	-	-	-	
United Kingdom	-	11.0	1.7	16.3	29.8	
United States	15.0	0.8	1.6	6.1	-	
Total Multilateral	193.5	9.7	102.0	161.1	123.4	
African Dev. Bank	-	3.5	5.8	5.1	6.5	
European Invest. Bank	-	2.2	17.2	-	6.9	
IBRD	193.5	4.0	79.0	156.0	110.0	
TOTAL COMMITMENTS	415.0	201.7	397.7	592.8	(312.9)	(492.3) 10/

1/ Coal projects should be classified in the energy sector.
2/ As of the end of the fiscal year.
3/ The exchange adjustment of $6.2 million as of June 30, 1975 has been included in these figures.
3/ The exchange adjustment of $3.6 million as of June 30, 1976 has been included in these figures with a decrease of $2.6 million since FY75.
4/ The exchange adjustment of $8.6 million as of June 30, 1977 has been included in these figures with an increase of $5.0 million since FY76.
5/ The exchange adjustment of $39.8 million as of June 30, 1978 has been included in these figures with an increase of $31.2 million since FY77.
6/ The exchange adjustment of $56.9 million as of June 30, 1979 has been included in these figures with an increase of $17.1 million since FY78.
7/ The exchange adjustment of $66.3 million as of June 30, 1980 has been included in these figures with an increase of $9.4 million since FY79.
8/ Data not available on a country/agency basis after CY1976.
9/ ( ) = preliminary
10/ NOTE: All data in this table reflect o/s amounts and transactions of loans sold to Third Parties.

EAN CPIA
July 8, 1981

Attachment 2

KENYA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

As of June 30, 1980

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'78	FY'79				FY'80				FY'81	FY'82	FY'83	FY'84	FY'85	FY'86	FY'87
							1	2	3	4	1	2	3	4							
Highway	12.6	12/22/70	Orig:	6/30/75	8/20/70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	12/28/70	Rev:	12/31/79	7/20/79	10.8	10.8	11.2	11.7	12.2	12.5	12.6	-	-	-	-	-	-	-	-	-
IDA 224	12.6	3/18/71	Act:	-	-	10.8	10.8	10.8	10.8	10.8	10.8	12.6									
Nairobi	29.0	5/30/72	Orig:	12/31/76	5/16/72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airport	-	6/ 2/72	Rev:	12/31/79	6/30/78	-	28.5	28.7	28.8	29.0	-	-	-	-	-	-	-	-	-	-	-
IBRD 326	29.0	7/ 7/72	Act:	-	-	28.3	28.3	28.5	28.5	28.5	28.5	28.5	28.5	29.0							
Fifth	29.0	8/14/73	Orig:	12/31/77	7/25/73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highway	-	9/ 6/73	Rev:	12/31/79	9/30/79	-	-	-	-	-	-	28.3	28.8	29.0	-	-	-	-	-	-	-
IBRD 932	29.0	11/ 9/73	Act:	-	-	20.0	22.6	22.6	23.4	25.7	26.8	28.2	28.9	28.9							
DFC	5.0	11/20/73	Orig:	3/31/78	10/31/73	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project	-	11/29/73	Rev:	9/30/79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 946	5.0	3/26/74	Act:	-	-	4.4	4.4	4.4	4.7	4.9	5.0	5.0									
Population	12.0	3/19/74	Orig:	6/30/78	3/ 7/74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project	-	4/ 1/74	Rev:	12/31/79	12/31/78	8.8	10.1	10.5	11.3	12.0	-	-	-	-	-	-	-	-	-	-	-
IDA 468	12.0	7/31/74	Act:	-	-	8.8	10.1	10.5	10.5	11.1	11.6	11.6	11.8	12.0							
Second	21.5	5/28/74	Orig:	12/31/80	5/ 9/74	20.5	20.7	20.9	21.0	21.3	21.5	-	-	-	-	-	-	-	-	-	-
Livestock	-	6/ 5/74	Rev:	-	6/ 6/80	-	-	-	-	-	-	-	-	4.7	11.5	18.0	21.5	-	-	-	-
IDA 477	21.5	12/ 2/74	Act:	-	-	2.6	3.3	3.6	3.8	4.2	4.3	4.6	4.7	4.8							
Tea	10.4	5/14/74	Orig:	6/30/80	5/ 2/74	8.7	8.9	9.1	9.4	9.7	9.9	10.1	10.4	-	-	-	-	-	-	-	-
Factory	-	6/ 5/74	Rev:	-	4/10/80	-	-	-	-	7.0	7.0	8.0	8.5	9.0	10.0*	-	-	-	-	-	-
IBRD 993	10.4	9/23/74	Act:	-	-	4.7	5.3	6.2	6.5	6.8	7.3	7.7	8.3	8.7							
Group Farm	7.5	3/11/75	Orig:	12/31/81	2/14/75	5.8	6.7	7.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation	-	3/26/75	Rev:	-	9/18/79	-	-	-	-	3.0	3.5	4.0	4.5	5.0	7.0	7.5	-	-	-	-	-
IDA 537	7.5	9/30/75	Act:	-	-	2.1	2.6	2.8	3.0	3.0	3.5	3.5	3.7	3.8							
Group Farm	7.5	3/11/75	Orig:	12/31/81	2/14/75	-	-	.1	1.1	2.1	3.3	4.5	5.3	6.1	7.5	-	-	-	-	-	-
Rehabilitation	-	3/26/75	Rev:	-	12/ 7/79	-	-	-	-	-	-	-	-	-	2.5*	-	-	-	-	-	-
IBRD 1093 1/	7.5	9/30/75	Act:	-	-	-	-	-	-	-	-	-	-	-							
Site and	8.0	4/29/75	Orig:	6/30/80	4/14/75	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service	-	5/ 5/75	Rev:	-	8/18/76	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 543	8.0	9/25/75	Act:	-	-	5.6	6.2	6.4	7.0	7.5	7.9	7.9	8.0								
Site and	8.0	4/29/75	Orig:	6/30/80	4/14/75	4.5	5.4	6.2	6.7	7.1	7.6	8.0	-	-	-	-	-	-	-	-	-
Service	-	5/ 6/75	Rev:	-	8/18/76	4.5	5.4	6.2	6.6	7.1	7.5	8.0	-	-	-	-	-	-	-	-	-
IBRD 1105 2/	8.0	9/25/75	Act:	-	-	-	-	-	-	-	-	-	1.2	2.3							
Second Forestry	10.0	6/19/75	Orig:	12/31/81	6/ 4/75	8.6	9.2	9.8	10.0	-	-	-	-	-	-	-	-	-	-	-	-
Plantation	-	6/27/75	Rev:	-	12/ 7/79	4.5	5.6	6.7	7.3	8.2	9.1	10.0	-	-	-	-	-	-	-	-	-
IDA 565	10.0	9/25/75	Act:	-	-	4.4	4.6	6.7	7.2	8.4	9.0	10.0									
Second Forestry	10.0	6/19/75	Orig:	12/31/81	6/ 4/75	-	-	-	.4	1.5	2.6	3.7	4.9	6.1	9.3	10.0	-	-	-	-	-
Plantation	.1	6/27/75	Rev:	-	12/ 7/79	3.3	3.6	3.8	4.2	4.7	5.2	5.7	6.9	8.1	9.9	-	-	-	-	-	-
IBRD 1132 3/	9.9	9/25/75	Act:	-	-	3.7	3.8	3.8	3.8	5.1	5.1	5.1	6.4	8.1							
Oil Products	20.0	6/19/75	Orig:	2/ 1/79	6/ 6/75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pipeline	-	6/27/75	Rev:	3/31/80	6/30/78	19.7	20.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1133	20.0	12/ 3/75	Act:	-	-	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7							
Gitaru	63.0	7/ 1/75	Orig:	12/31/79	5/23/75	55.0	57.0	60.0	60.0	61.0	62.0	63.0	-	-	-	-	-	-	-	-	-
Hydroelectric	5.4	7/25/75	Rev:	-	6/10/80	49.0	54.0	55.0	55.0	56.0	57.0	57.0	57.6	-	-	-	-	-	-	-	-
IBRD 1147	57.6	1/29/76	Act:	-	-	42.6	46.2	50.2	50.9	56.5	56.5	56.9	57.2	57.2							
Second Industrial	10.0	7/ 8/75	Orig:	7/ 1/79	5/19/75	9.8	10.0	10.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Development Bank	-	7/25/75	Rev:	6/30/80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1148	10.0	10/ 9/75	Act:	-	-	6.7	7.0	7.1	7.7	8.7	9.7	9.7	9.7	10.0							
Water	35.0	10/ 7/75	Orig:	6/30/80	10/ 7/75	13.0	16.5	20.0	23.5	27.0	30.0	32.0	34.0	35.0	-	-	-	-	-	-	-
Supply	-	10/15/75	Rev:	-	1/17/80	-	-	-	-	-	-	-	23.0	26.0	35.0	-	-	-	-	-	-
IBRD 1167	35.0	1/13/76	Act:	-	-	6.2	13.1	13.4	17.1	18.6	19.2	19.2	22.3	25.4							
Third	10.0	12/18/75	Orig:	6/30/82	10/30/75	3.5	4.7	5.9	7.3	8.0	8.8	9.2	9.6	9.7	10.0	-	-	-	-	-	-
Education	-	12/31/75	Rev:	-	4/10/80	-	-	-	-	-	-	-	-	2.5	6.5	9.0	10.0	-	-	-	-
IBRD 1134	10.0	3/17/76	Act:	-	-	.9	1.0	1.0	1.1	1.1	1.2	1.3	1.3	1.3							
Agricultural	10.0	7/ 1/76	Orig:	12/31/81	7/ 1/76	3.1	4.1	5.2	6.5	7.8	9.1	10.0	-	-	-	-	-	-	-	-	-
Development	-	7/ 9/76	Rev:	-	2/29/80	-	-	-	-	-	-	-	3.2	6.2	10.0	-	-	-	-	-	-
IDA 650	10.0	3/15/77	Act:	-	-	1.1	1.1	1.1	1.1	1.3	1.3	1.3	1.3	4.8							
Agricultural	10.0	7/ 1/76	Orig:	12/31/81	7/ 1/76	-	-	-	-	-	-	.4	1.6	2.9	7.7	10.0	-	-	-	-	-
Development - 3W	-	7/ 9/76	Rev:	-	2/29/80	-	-	-	-	-	-	-	-	-	1.3	5.0	7.0*	-	-	-	-
IBRD 1303 4/	10.0	3/15/77	Act:	-	-	-	-	-	-	-	-	-	-	-							
Wildlife and	17.0	7/ 1/76	Orig:	6/30/82	3/31/76	6.9	7.9	8.9	10.1	11.2	12.3	13.2	14.0	14.7	16.7	17.0	-	-	-	-	-
Tourism - 3W	-	7/ 9/76	Rev:	-	9/30/78	.1	1.7	3.3	4.9	6.5	7.6	8.6	10.0	11.3	15.5	17.0	-	-	-	-	-
IBRD 1304	17.0	11/10/76	Act:	-	-	.1	.1	.6	1.5	2.7	2.7	3.6	3.6	4.3							
Rural Access	4.0	7/ 1/76	Orig:	6/30/81	6/ 3/76	4.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	-	7/ 9/76	Rev:	-	6/20/79	-	-	-	-	1.3	2.0	3.0	3.7	4.0	-	-	-	-	-	-	-
IDA 658	4.0	10/ 7/76	Act:	-	-	-	-	-	.4	1.3	1.5	1.6	2.2	2.3							

Attachment 2

KENYA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

As of June 30, 1980

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'78	FY'79 1	FY'79 2	FY'79 3	FY'79 4	FY'80 1	FY'80 2	FY'80 3	FY'80 4	FY'81	FY'82	FY'83	FY'84	FY'85	FY'86	FY'87
Rural Access Roads	4.0	7/ 1/76	Orig:	6/30/81	6/ 3/76	1.2	1.8	2.3	2.9	3.4	3.8	4.0	-	-	-	-	-	-	-	-	-
	-	7/ 9/76	Rev:	-	6/30/79	-	-	-	-	-	-	-	-	.3	2.4	4.0	-	-	-	-	-
IBRD 1305 5/	4.0	10/ 7/76	Act:	-		-	-	-	-	-	-	-	-	-							
Sugar Project	25.0	3/29/77	Orig:	3/31/83	3/ 4/77	2.8	3.6	4.6	5.6	6.7	7.9	9.4	11.1	12.8	19.5	24.1	25.0	-	-	-	-
	-	4/15/77	Rev:	-	10/31/79	-	-	-	-	-	-	7.8	8.5	9.5	16.0	24.0	25.0	-	-	-	-
IBRD 1389	25.0	11/ 3/77	Act:	-	-	1.3	2.0	2.5	3.7	4.6	7.1	8.6	9.0	12.8							
Third Agricultural	20.0	3/29/77	Orig:	12/31/80	3/ 2/77	8.6	10.6	12.6	15.0	17.4	19.6	20.0	-	-	-	-	-	-	-	-	-
	-	4/15/77	Rev:	-	3/31/79	-	-	-	-	13.0	17.0	20.0	-	-	-	-	-	-	-	-	-
IDA 692	20.0	9/14/77	Act:	-	-	3.5	4.3	4.4	4.5	12.8	12.9	12.9	16.7	16.8							
Third Agricultural - 3W	5.0	3/29/77	Orig:	12/31/80	3/ 2/77	-	-	-	-	-	-	1.8	3.5	5.0	-	-	-	-	-	-	-
	-	4/15/77	Rev:	-	3/31/79	-	-	-	-	-	-	5.0	-	-	-	-	-	-	-	-	-
IBRD 1390 6/	5.0	9/14/77	Act:	-	-	-	-	-	-	-	-	-	-	-							
Third Industrial Development	20.0	5/31/77	Orig:	7/ 1/82	5/ 5/77	1.6	2.8	4.1	5.5	7.0	8.6	10.2	11.8	13.5	20.0	-	-	-	-	-	-
	-	6/22/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1438	20.0	11/10/77	Act:	-	-	-	-	1.7	2.2	2.5	3.1	4.1	5.9	6.6							
Irrigation Project	6.0	6/ 7/77	Orig:	6/30/84	6/ 7/77	5.2	6.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	6/22/77	Rev:	-	10/16/79	-	-	-	-	-	-	-	4.0	5.5	6.0	6.0	6.0	6.0	-	-	-
IDA 722	6.0	6/27/78	Act:	-	-	-	.5	.5	.6	1.1	1.6	1.6	2.6	2.6							
Irrigation Project	34.0	6/ 7/77	Orig:	6/30/84	6/ 7/77	-	1.6	4.0	6.5	9.3	12.1	14.9	18.0	21.1	28.5	34.0	-	-	-	-	-
	-	6/22/77	Rev:	-	10/16/79	-	-	-	-	-	-	-	-	5.2	17.5	27.1	32.1	34.0	-	-	-
IBRD 1449 7/	34.0	6/27/78	Act:	-	-	-	-	-	-	-	-	-	-	-							
Small Scalè Industry	10.0	11/22/77	Orig:	12/31/82	10/31/77	-	.6	1.4	2.4	3.5	4.6	5.5	6.3	7.0	9.6	10.0	-	-	-	-	-
	-	11/28/77	Rev:	-	5/ 2/78	-	-	.5	1.3	2.3	3.4	4.5	5.4	6.2	8.9	10.0	-	-	-	-	-
IDA 750	10.0	6/26/78	Act:	-	-	-	-	-	-	-	-	-	.1	.4							
Second Water Supply	30.0	2/14/78	Orig:	12/31/82	1/25/78	-	-	.1	.7	2.0	3.5	5.0	7.5	10.0	21.0	28.0	30.0	-	-	-	-
	-	3/27/78	Rev:	-	1/14/80	-	-	-	-	-	-	1.5	2.5	4.0	15.0	21.0	30.0	-	-	-	-
IBRD 1520	30.0	12/20/78	Act:	-	-	-	-	-	-	-	-	1.5	1.5	2.7							
Second Urban	25.0	4/18/78	Orig:	12/31/83	3/23/78	-	-	.6	1.1	1.7	2.7	3.9	5.9	8.9	25.0	-	-	-	-	-	-
	-	5/ 5/78	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 791	25.0	10/ 3/78	Act:	-	-	-	-	-	-	-	-	-	-	.2							
Second Urban	25.0	4/18/78	Orig:	12/31/83	3/23/78	-	-	-	-	-	-	-	-	-	3.9	21.6	25.0	-	-	-	-
	-	5/ 5/78	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1550 8/	25.0	10/ 3/78	Act:	-	-	-	-	-	-	-	-	-	-	-							
Fourth Education	23.0	5/ 9/78	Orig:	12/31/82	4/17/78	-	-	-	.3	.7	1.3	2.3	3.9	6.1	17.8	22.5	23.0	-	-	-	-
	-	6/ 7/78	Rev:	-	4/22/80	-	-	-	-	-	-	-	-	1.5	10.0	20.2	23.0	-	-	-	-
IDA 797	23.0	8/25/78	Act:	-	-	-	-	-	-	-	.3	.7	.9	1.0							
Olkaria Geothermal Engineering	9.0	10/31/78	Orig:	6/30/81	10/31/78	*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	12/ 1/78	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD S-12	9.0	4/30/79	Act:	-	-	-	-	-	-	-	2.0	2.5	2.8	3.5							
Sugar Rehabilitation	72.0	12/ 5/78	Orig:	3/31/85	11/17/78	-	-	-	.8	1.8	3.2	5.7	8.9	12.7	29.2	47.0	59.7	67.3	72.0	-	-
	-	12/20/78	Rev:	-	10/31/79	1.8	3.2	5.7	8.9	12.7	16.7	20.7	24.8	29.2	47.0	59.7	61.7*	-	-	-	-
IBRD 1636	72.0	9/20/79	Act:	-	-	-	-	-	-	-	-	-	-	1.6							
Rural Water Supply	20.0	12/ 5/78	Orig:	7/ 1/85	10/31/78	-	-	-	-	-	.2	.5	.8	1.1	4.0	9.7	15.7	19.1	20.0	-	-
	-	12/20/78	Rev:	-	7/13/79	-	-	-	-	-	-	-	-	-	2.0	7.0	15.7	19.1	20.0	-	-
IBRD 1637	20.0	1/24/80	Act:	-	-	-	-	-	-	-	-	-	.1	.1							
Narok Agricultural Development	13.0	12/ 5/78	Orig:	12/31/83	9/30/78	-	-	-	-	-	.2	.4	.3	1.8	5.0	9.0	12.5	13.0	-	-	-
	-	12/20/78	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 858	13.0	6/28/79	Act:	-	-	-	-	-	-	-	-	-	-	-							
First Telecommunications	20.0	3/27/79	Orig:	6/30/83	3/ 5/79	-	-	-	-	-	-	-	-	1.9	12.6	17.7	20.0	-	-	-	-
	-	4/11/79	Rev:	-	10/26/79	-	-	-	-	-	-	-	-	1.0	8.5	15.0	17.0	18.5	20.0	-	-
IBRD 1680 KE	20.0	8/16/79	Act:	-	-	-	-	-	-	-	-	-	-	.9							
Highway Sector	90.0	4/10/79	Orig:	6/30/85	3/ 6/79	-	-	-	-	-	-	1.5	3.3	5.4	20.9	46.8	67.6	85.5	90.0	-	-
	-	4/30/79	Rev:	-	10/31/79	-	-	-	-	-	-	-	.5	1.4	22.6	49.9	69.4	85.5	90.0	-	-
IBRD 1684	90.0	6/19/79	Act:	-	-	-	-	-	-	-	-	-	-	-							
Smallholder Coffeeholder Improvement	27.0	5/22/79	Orig:	3/31/84	5/10/79	-	-	-	-	-	-	-	.2	.4	7.2	14.4	21.6	27.0	-	-	-
	-	6/11/79	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 914	27.0	4/ 3/80	Act:	-	-	-	-	-	-	-	-	-	-	-							
2nd Integrated Agricultural Dev.	46.0	12/ 4/79	Orig:	4/30/86	11/15/79	-	-	-	-	-	-	-	-	-	1.0	9.0	21.0	33.0	43.0	46.0	-
	-	4/23/80	Rev:	-	6/ 5/80	-	-	-	-	-	-	-	-	-	1.0	9.0	21.0	33.0	43.0	46.0	-
IDA 959	46.0	N.E.	Act:	-	-	-	-	-	-	-	-	-	-	-							

Attachment 2

KENYA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

As of June 30, 1980

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'78	FY'79 1	FY'79 2	FY'79 3	FY'79 4	FY'80 1	FY'80 2	FY'80 3	FY'80 4	FY'81	FY'82	FY'83	FY'84	FY'85	FY'86	FY'87
Baringo Pilot	6.5	12/11/79	Orig:	10/31/84	11/12/79	-	-	-	-	-	-	.2	.4	.6	1.8	3.8	5.6	6.5	-	-	-
Semi-Arid Areas	-	3/12/80	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 962	6.5	6/10/80	Act:	-	-	-	-	-	-	-	-	-	-	-							
Olkaria	40.0	1/22/80	Orig:	12/31/83	12/20/79	-	-	-	-	-	-	-	-	7.0	24.0	31.0	38.0	40.0	-	-	-
Power	-	4/23/80	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1799	40.0	N.E.	Act:	-	-	-	-	-	-	-	-	-	-	-							
Fourth Industrial	30.0	3/25/80	Orig:	12/31/85	2/28/80	-	-	-	-	-	-	-	-	-	1.7	7.4	17.2	26.2	29.6	-	-
Development Bank	-	4/16/80	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1817	30.0	N.E.	Act:	-	-	-	-	-	-	-	-	-	-	-							
Structural	55.0	3/25/80	Orig:	9/30/80	2/11/80	-	-	-	-	-	-	-	-	-	55.0	-	-	-	-	-	-
Adjustment	-	4/10/80	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 999 9/	55.0	6/ 9/80	Act:	-	-	-	-	-	-	-	-	-	-	-							
Export Promotion	4.5	6/12/80	Orig:	6/30/85	5/21/80	-	-	-	-	-	-	-	-	-	.5	1.5	3.0	4.5	-	-	-
Technical Assistance	-	-	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 1045	4.5	-	Act:	-	-	-	-	-	-	-	-	-	-	-							
Fisheries	10.0	6/24/80	Orig:	9/30/87	6/ 4/80	-	-	-	-	-	-	-	-	-	.2	.8	2.0	3.5	5.5	7.5	10.0
Project	-	-	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 1051	10.0	-	Act:	-	-	-	-	-	-	-	-	-	-	-							

* Balance indeterminate.
1/ To be disbursed after Credit 537 KE.
2/ To be disbursed after Credit 543 KE.
3/ Includes $ 6.67 NORAD Grant Participation to be disbursed first, then the Credit 565 KE in full, then the balance of 1132 KE for $3.33.
4/ To be disbursed after Credit 650 KE.
5/ To be disbursed after Credit 651 KE.
6/ To be disbursed after Credit 692 KE.
7/ To be disbursed after Credit 722 KE.
8/ To be disbursed after Credit 791 KE.
9/ Joint with EEC 56.

Controller's
11/19/80

TABLE 3A
KENYA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	KENYA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) /a	
TOTAL 582.6 AGRICULTURAL 60.4	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	MIDDLE INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
GNP PER CAPITA (US$)	100.0	170.0	380.0	794.2	1616.2
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	150.4	122.1	180.1	707.5	1324.1
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	8189.0	11253.0	15274.0	.	.
URBAN POPULATION (PERCENT OF TOTAL)	7.4	10.2	13.8	27.7	64.2
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			34.1	.	.
STATIONARY POPULATION (MILLIONS)			109.0	.	.
YEAR STATIONARY POPULATION IS REACHED			2095	.	.
POPULATION DENSITY					
PER SQ. KM.	14.1	19.3	26.2	55.0	34.3
PER SQ. KM. AGRICULTURAL LAND	145.2	191.4	244.4	130.7	94.5
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	47.6	48.9	50.0	46.0	40.7
15-64 YRS.	49.8	48.6	47.6	51.2	55.3
65 YRS. AND ABOVE	2.6	2.5	2.4	2.8	4.0
POPULATION GROWTH RATE (PERCENT)					
TOTAL	2.4	3.2	3.9	2.8	2.4
URBAN	5.2	6.4	6.8	5.1	3.7
CRUDE BIRTH RATE (PER THOUSAND)	52.0	52.7	51.3	46.9	31.4
CRUDE DEATH RATE (PER THOUSAND)	24.0	17.5	13.4	15.8	8.4
GROSS REPRODUCTION RATE	3.6	3.8	3.8	3.2	2.3
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	30.9	61.0	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	1.0	..	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	99.0	100.0	86.0	89.9	108.3
PER CAPITA SUPPLY OF					
CALORIES (PERCENT OF REQUIREMENTS)	99.0	99.0	88.0	92.3	107.6
PROTEINS (GRAMS PER DAY)	70.0	68.0	52.0	52.8	65.8
OF WHICH ANIMAL AND PULSE	29.0	28.0	20.0	16.1	34.0
CHILD (AGES 1-4) MORTALITY RATE	34.0	22.5	15.2	20.2	7.6
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	41.3	49.1	54.7	50.8	64.1
INFANT MORTALITY RATE (PER THOUSAND)	126.0/c	119.0	91.0	..	70.9
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	15.0	17.0	27.4	65.7
URBAN	..	100.0	100.0	74.3	79.7
RURAL	..	2.0	4.0	12.6	43.9
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	50.0	55.0	..	59.9
URBAN	..	85.0	98.0	..	75.7
RURAL	..	45.0	48.0	..	30.4
POPULATION PER PHYSICIAN	10690.6	7830.9/d	11625.2/d	13844.1	1728.2
POPULATION PER NURSING PERSON	2230.0/c,d	1474.1/d	1085.7/d	2898.6	1288.2
POPULATION PER HOSPITAL BED					
TOTAL	807.0/c	774.1	770.8	1028.4	471.2
URBAN	..	..	602.1	423.0	558.0
RURAL	..	..	802.8	3543.2	..
ADMISSIONS PER HOSPITAL BED	..	..	..	..	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	4.7	..	..	..
URBAN	..	4.7	..	..	..
RURAL	..	4.7	..	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	..	..	..	..	..
URBAN	2.5/c	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

TABLE 3A
KENYA - SOCIAL INDICATORS DATA SHEET

	KENYA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) /a	
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	MIDDLE INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	47.0	60.0	99.0	73.7	101.7
MALE	64.0	70.0	105.0	96.8	103.0
FEMALE	30.0	49.0	94.0	79.0	101.5
SECONDARY: TOTAL	2.0	8.0	18.0	16.2	35.3
MALE	3.0	12.0	22.0	25.3	34.9
FEMALE	2.0	5.0	14.0	14.8	35.6
VOCATIONAL ENROL. (% OF SECONDARY)	..	2.0	2.0	5.3	30.1
PUPIL-TEACHER RATIO					
PRIMARY	42.0	34.0	33.0	36.2	29.6
SECONDARY	15.0	21.0	25.0	23.6	15.7
ADULT LITERACY RATE (PERCENT)	20.0/c	30.0	45.0	..	80.0
CONSUMPTION					
PASSENGER CARS PER THOUSAND POPULATION	8.0	8.5	8.0	32.3	42.6
RADIO RECEIVERS PER THOUSAND POPULATION	7.0	44.4	36.8	69.0	215.0
TV RECEIVERS PER THOUSAND POPULATION	0.3	1.4	4.2	8.0	89.0
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	13.0	13.8	11.2	20.2	62.8
CINEMA ANNUAL ATTENDANCE PER CAPITA	1.0	..	0.4	0.7	3.2
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	3299.8	4319.7	5530.0	.	.
FEMALE (PERCENT)	34.5	34.3	33.5	36.7	22.6
AGRICULTURE (PERCENT)	86.0	82.0	78.4	56.6	35.0
INDUSTRY (PERCENT)	5.0	7.0	9.6	17.5	23.2
PARTICIPATION RATE (PERCENT)					
TOTAL	40.3	38.4	36.2	37.2	31.8
MALE	53.3	50.9	48.5	47.1	49.0
FEMALE	27.5	26.1	24.1	27.5	14.6
ECONOMIC DEPENDENCY RATIO	1.2	1.3	1.4	1.3	1.4
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	20.2/e	..	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	52.6/e	..	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	..	3.9/e	..	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	..	11.7/e	..	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	150.0	381.2	..
RURAL	..	..	112.0	156.2	187.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	179.0	334.3	513.6
RURAL	..	..	106.0	137.6	362.2
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	10.0	..	..
RURAL	..	..	55.0	..	..

.. Not available
. Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1976 and 1979.

/c 1962; /d Registered, not all practicing in the country; /e Urban only.

May, 1981

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters.

Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1979 data.

GNP PER CAPITA (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1979 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1979 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1979 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1979 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size has been reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970 and 1979 data.

Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1978 data.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1979 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-79.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-79.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1979 data.

Crude Death Rate (per thousand) - Annual deaths per thousands of mid-year population; 1960, 1970, and 1979 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1979.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1979 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1979 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1979 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to Safe Water (percent of population)- total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by thier respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHOs principal/general hospitals, and rural hospitals local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quaters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratios

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1979 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1979 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1979 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1979 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

Estimated Absolute Poverty Income Level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Economic and Social Data Division
Economic Analysis and Projections Department
May 1981

KENYA
Attachment 3B
Economic Development Data Sheet

	Actual 1976	1977	1978	Preliminary 1979	Projected 1980	1981	1985	1990	Average Annual Rate of Growth 1972-76	1976-81	1981-85	1985-90	1978 Share of GDP
A. National Accounts (Million US $ at 1976 prices)													
1. GDP	3474.1	3767.0	4077.8	4176.0	4282.6	4405.5	5218.6	6759.4	3.2	4.9	4.3	5.3	100.0
2. Gains from TT	-	+344.5	+26.3	-17.6	-62.1	-106.1	-159.0	-191.2	.	.	.	.	0.6
3. GDY	3474.1	4111.5	4104.1	4158.6	4220.5	4229.5	5059.6	6568.2	1.9	4.4	4.2	5.4	100.6
4. Imports	1103.2	1300.3	1621.4	1344.1	1413.0	1358.5	1467.5	1782.8	-3.2	4.3	2.0	4.0	39.8
5. Exports - Volume	1127.4	1094.4	1104.2	1045.4	1083.5	1151.1	1449.6	1949.1	5.8	0.4	5.9	6.1	27.1
6. Exports - TT adjusted	1127.4	1438.9	1130.5	1027.8	1021.3	1045.1	1290.6	1757.9	-0.8	-1.5	5.4	6.4	27.7
7. Resource Gap - TT adjusted	-24.2	-138.6	490.9	316.3	391.7	313.4	176.8	25.0	.	.	.	.	12.0
8. Total Consumption	2746.7	3021.1	3426.8	3610.1	3742.9	3718.5	4164.9	5198.0	1.2	6.2	2.9	4.5	84.0
9. Investment	703.3	951.8	1168.2	864.6	869.3	894.4	1071.5	1395.1	-3.2	4.9	4.6	5.4	28.6
10. National Savings	604.6	906.8	665.1	528.0	466.3	557.1	848.0	1334.1	-0.4	-1.5	11.1	9.5	16.3
11. Domestic Savings	727.4	1090.4	677.3	548.3	477.6	581.0	894.7	1370.2	4.6	-4.4	11.4	8.9	16.6
12. GDP at current US $	3474.1	4493.5	5324.1	6037.3	6912.4	7821.9	12030.6	19887.8	13.8	17.6	11.4	10.6	.
B. Sector Output (Share of GDP at 1976 prices)													
1. Manufacturing Industry	16.2	17.0	17.9	18.7	18.6	18.7	19.0	20.3	2.4	5.0	4.8	6.8	
2. Agriculture	37.9	38.3	37.3	36.0	35.3	35.2	34.2	32.2	2.3	3.4	3.6	4.0	
3. Other	45.9	44.6	44.8	45.3	46.0	46.1	46.8	47.5	3.3	6.1	4.7	5.6	
C. Prices													
1. Export Price Index	100.0	143.5	132.6	145.5	162.7	172.2	236.7	337.2	17.1	11.5	8.3	7.3	
2. Import Price Index	100.0	109.2	127.9	149.3	178.1	199.9	284.1	397.1	25.0	14.9	9.2	6.9	
3. Terms of Trade	100.0	131.4	103.7	97.5	91.3	86.1	83.3	84.9	.	.	.	.	
4. GDP Deflator (US $)	100.0	119.3	130.6	144.6	161.4	177.5	230.5	294.2	13.9	12.2	6.8	5.0	
5. Average Exchange Rate (US $/K£)	2.390	2.416	2.588	2.675	2.667	-							

D. Selected Indicators	1972-76	1976-80	1981-85	1986-90
1. ICOR	9.2	6.1	5.0	3.9
2. Import Elasticity	-1.4	-0.3	0.1	0.7
3. Average Domestic Savings Rate	20.0	17.7	15.9	19.8
4. Average National Savings Rate	17.8	15.9	15.1	19.0
5. Marginal National Savings Rate	2.41	-0.05	0.64	0.33
6. Imports/GDP	37.9	34.2	29.1	27.0
7. Investment/GDY	23.9	22.6	21.0	21.4
8. Resource Gap/GDY	3.21	5.0	5.1	1.6

E. Employment	1975	1976	1977	1978	1979
1. Labor Force Total	6,400,000	..	..	..	..
2. Wage Employment	819,100	857,500	902,900	911,600	972,300

F. Public Finance (K£ million)	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	Provisional 1979/80
1. Recurrent Revenue	149.0	190.4	226.3	269.2	314.1	471.4	490.1	590.5
2. Recurrent Expenditure	139.6	162.7	207.4	246.8	285.1	400.1	467.3	522.0
3. Recurrent Surplus	+9.4	+27.7	+18.9	+22.4	+29.0	+71.3	+22.8	+68.5
4. Development Project Earnings and Other Miscellaneous Receipts	0.6	0.3	-	-	6.4	0.8	0.5	0.3
5. Foreign Grants	0.5	3.2	8.2	7.0	10.5	9.0	13.3	18.1
6. Surplus Available for Financing Development Expenditure	10.5	31.5	27.4	29.4	45.9	81.1	36.6	86.9
7. Development Expenditure	61.8	67.4	94.2	126.3	124.7	190.2	220.3	236.9
8. Overall Deficit	-51.3	-35.9	-66.8	-96.9	-78.7	-109.1	-183.7	-150.0
9. Financing of the Deficit:								
External Loans	24.7	14.5	20.1	43.7	29.8	43.2	81.8	96.6
Domestic:								
Long-term borrowing	21.3	18.8	15.5	52.8	25.0	66.9	88.6	36.6
Short-term borrowing	6.8	2.9	12.7	32.5	29.7	-29.3	68.5	16.8
Grants	0.02	-	-	-	-	-	-	-
Changes in Cash Balance (Increase = -)	+1.5	+5.6	+18.4	+32.0	+5.8	-28.3	55.3	-

EAN CPIA
June 8, 1981

KENYA

Attachment 3C

Import Detail

		1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1990
A.	Constant 1976 Prices (Millions of dollars)											
1.1	Food	34.8	58.9	84.8	72.9	191.2	119.5	71.7	71.7	71.7	71.7	71.7
1.2	Other consumer goods	86.7	110.5	112.3	76.5	86.0	84.8	84.2	84.8	85.7	86.9	96.0
2.1	Petroleum, oil, lubricants	248.8	259.2	265.5	269.8	212.5	216.4	221.7	227.6	234.4	241.8	282.9
2.2	Other intermediate goods	325.2	367.7	392.4	331.7	382.4	391.8	402.7	415.4	430.0	446.5	553.6
3.	Capital goods	279.4	374.7	606.6	441.7	381.9	379.1	384.3	390.7	400.9	411.9	499.3
4.	Total goods (CIF)	974.9	1171.0	1461.7	1192.6	1254.0	1191.6	1164.6	1190.2	1222.7	1258.8	1503.5
5	Non-factor services	158.0	135.2	159.7	151.5	158.9	166.9	175.2	185.7	196.9	208.7	279.3
6.	Total goods and NFS	1132.9	1306.2	1621.4	1344.1	1413.0	1358.5	1339.8	1375.9	1419.5	1467.5	1782.8
B.	Price Index (1976 = 100)											
1.1	Food	100.0	112.8	117.6	121.1	143.8	175.4	222.9	245.9	271.2	299.1	410.6
1 2	Other consumer goods	100.0	111.2	132.2	137.9	155.2	169.2	183.5	198.2	213.1	228.0	305.1
2.1	Petroleum, oil, lubricants	100.0	109.2	114.9	145.8	239.2	269.1	301.4	334.2	370.6	411.0	644.1
2.2	Other intermediate goods	100.0	105.7	118.7	145.2	163.4	178.1	193.2	208.7	224.3	240.0	321.2
3.	Capital goods	100.0	115.5	140.9	161.5	181.7	198.0	214.8	232.0	249.4	266.9	357.2
4.	Total goods (CIF)	100.0	110.5	127.9	149.3	178.1	199.9	222.0	241.8	262.5	284.1	397.1
5.	Non-factor services	100.0	109.1	135.5	158.8	178.7	194.7	211.3	228.2	245.2	262.4	351.2
6.	Total goods and NFS	100.0	110.4	128.6	150.3	178.2	199.3	220.6	239.9	260.1	281.0	389.9
C.	Current Values (Millions of dollars)											
1.1	Food	34.8	66.4	99.8	88.3	274.9	209.6	159.8	176.3	194.4	214.5	294.4
1.2	Other consumer goods	86.7	122.9	148.5	105.5	133.5	143.4	154.4	168.0	182.6	198.1	293.1
2.1	Petroleum, oil, lubricants	248.8	283.1	305.0	393.3	508.2	582.4	668.0	760.7	868.7	994.0	1822.1
2.2	Other intermediate goods	325.2	388.7	465.7	481.7	624.8	697.7	778.2	866.9	964.5	1071.8	1778.3
3.	Capital goods	279.4	432.8	850.3	711.2	692.4	749.4	824.7	905.5	999.1	1098.4	1783.3
4.	Total goods (CIF)	974.9	1293.9	1869.2	1780.1	2233.7	2382.5	2585.1	2877.4	3209.4	3576.7	5971.2
5.	Non-factor services	158.0	147.5	216.4	240.6	283.9	324.9	370.2	423.8	482.8	547.6	980.9
6.	Total goods and NFS	1132.9	1441.4	2085.7	2020.7	2517.6	2707.3	2955.2	3301.2	3692.2	4124.3	6952.0

EAN CPIA
April 13, 1981

KENYA

Attachment 3D

Export Detail

		1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1990
A.	Constant 1976 Prices (Millions of Dollars)											
1.1	Coffee	223.1	256.2	245.5	226.3	233.1	244.3	261.4	281.0	295.1	307.8	379.9
1.2	Tea	75.9	90.1	109.0	120.5	111.0	124.1	130.3	136.7	143.5	151.4	197.9
1.3	Petroleum products	109.9	147.2	123.3	103.2	118.8	124.7	129.7	134.8	140.2	145.8	177.4
2.	Manufactured goods	65.3	153.7	121.4	135.3	143.4	152.0	161.1	170.8	182.7	196.4	310.6
3.	Other goods	269.6	128.6	116.9	109.0	112.3	119.0	126.1	133.7	141.7	150.2	201.0
4.	Total goods (FOB)	743.8	775.8	716.0	694.3	718.3	764.1	808.6	857.1	903.3	951.7	1266.9
5.	Non-factor services	387.9	410.4	388.1	351.1	365.1	387.0	412.2	439.0	467.5	497.9	682.2
6.	Total goods and NFS	1131.7	1186.2	1104.2	1045.4	1083.5	1151.1	1220.8	1296.0	1370.8	1449.6	1949.1
B.	Price Index (1976 = 100)											
1.1	Coffee	100.0	182.0	131.6	133.4	123.2	112.9	113.3	123.9	135.6	148.3	217.9
1.2	Tea	100.0	192.9	150.3	139.8	146.8	157.0	169.5	181.7	194.8	208.8	278.1
1.3	Petroleum products	100.0	118.9	126.7	176.5	247.1	279.7	313.3	347.4	385.3	427.3	669.6
2.	Manufactured goods	100.0	109.1	135.6	158.8	181.0	199.1	216.0	233.3	250.8	268.4	359.1
3.	Other goods	100.0	110.1	121.3	130.9	147.9	162.7	176.5	190.6	204.9	219.2	293.4
4.	Total goods (FOB)	100.0	144.9	132.6	145.5	162.7	172.2	184.7	200.5	217.9	236.7	337.2
5.	Non-factor services	100.0	109.1	135.6	158.8	178.6	194.7	211.3	228.2	245.2	262.4	351.2
6.	Total goods and NFS	100.0	132.5	133.6	150.0	168.1	160.3	172.7	187.2	202.7	218.9	342.1
C.	Current Values (Millions of Dollars)											
1.1	Coffee	223.1	466.3	322.9	302.0	287.1	275.9	296.1	348.3	400.1	456.5	827.9
1.2	Tea	75.9	173.8	163.8	168.4	162.7	194.8	220.9	248.4	279.6	316.2	550.5
1.3	Petroleum products	109.9	175.0	156.2	182.2	293.4	348.7	406.2	468.5	540.3	623.2	1188.2
2.	Manufactured goods	65.3	167.7	164.6	214.8	259.6	302.6	348.1	398.5	458.3	527.2	1115.5
3.	Other goods	269.6	141.6	141.7	142.6	166.0	193.5	222.6	254.8	290.4	329.3	589.8
4.	Total goods (FOB)	743.8	1124.4	949.3	1010.1	1168.8	1315.6	1493.9	1718.5	1968.7	2252.5	4271.9
5.	Non-factor services	387.9	447.7	526.2	557.5	652.2	753.4	870.8	1001.8	1146.6	1306.5	2395.9
6.	Total goods and NFS	1131.7	1572.1	1475.5	1567.6	1821.0	2069.1	2364.7	2720.2	3115.3	3559.0	6667.8

EAN CPIA
April 13, 1981

KENYA

Attachment 4A

Balance of Payments and External Assistance

(US$ Million)

	Actual			Preliminary				Projection			
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1990
A. Summary of Balance of Payments											
1. Exports (incl. NFS)	1131.7	1572.1	1475.5	1567.6	1821.0	2069.1	2364.7	2720.2	3115.3	3559.0	6667.8
2. Imports (incl. NFS)	1132.9	1441.4	2085.7	2020.7	2517.6	2707.3	2955.2	3301.2	3691.2	4124.3	6952.1
3. Resource Balance	-1.2	130.7	-610.2	-453.1	-696.6	-638.2	-590.5	-581.0	-576.9	-565.3	-284.2
4. Net Factor Service Income	-137.4	-143.8	-142.4	-142.3	-178.5	-221.9	-269.2	-308.0	-347.3	-395.6	-602.0
4.1 Net Interest Payments of which:	-34.7	-12.1	-15.9	-55.5	-88.2	-122.2	-144.4	-168.8	-192.0	-222.9	-307.8
(Interest on Public M & LT Loans)	(-12.7)	(-21.3)	(-5.2)	(-27.4)	(-106.8)	(-129.2)	(-154.8)	(-183.4)	(-210.7)	(-246.5)	(-364.7)
4.2 Direct Investment Income (Net)	-113.8	-143.8	-176.5	-142.5	-149.6	-157.1	-165.0	-181.5	-199.6	-219.6	-353.6
4.3 Workers' Remittance (Net)) 4.4 Other Factor Service Income (Net))	34.7	12.1	50.0	55.7	59.3	51.4	40.2	42.3	44.3	46.9	59.4
5. Current Transfers (Net)	14.6	71.3	103.1	105.6	160.6	180.3	202.4	227.3	255.2	286.6	491.6
6. Balance on Current Account	-124.0	58.2	-649.5	-489.8	-714.5	-679.9	-657.3	-661.8	-669.0	-674.4	-394.7
7. Private Direct Investment	22.9	17.9	67.7	87.0	95.8	122.4	134.6	148.2	163.0	179.3	288.8
Public M & LT Loans											
8. Disbursements	87.2	80.7	181.0	193.9	351.1	512.0	440.6	584.0	490.0	515.0	707.8
9. Amortization	-19.4	-1.7	-21.0	-26.3	-31.7	-47.2	-59.6	-86.3	-94.8	-121.6	-228.6
10. Net Disbursements	67.8	79,0	159.9	167.5	319.4	464.9	381.0	497.7	395.1	393.4	479.2
Private M & LT Loans											
11. Disbursements 1/	127.9	115.2	208.9	295.4	168.2	144.4	310.2	289.0	427.6	517.0	424.4
12. Amortization 1/	-1.9	-1.5	-48.3	-47.7	-109.6	-148.3	-173.6	-213.1	-243.8	-333.9	-643.1
13. Net Disbursements 1/	126.0	113.7	160.6	247.8	58.6	-3.9	136.6	75.9	183.7	183.1	-218.7
14. Use of IMF Resources	19.8	-54.8	8.0	-10.0	73.3	146.5	65.1	-	-	-	-30.0
15. Short-term Capital Transactions	-5.0	7.7	35.0	187.0	-	-	-	-	-	-	-
16. Capital Transactions, n.e.i.	-2.6	-4.3	25.1	0.0	-	-	-	-	-	-	-
17. Change in Reserves (- = increase)	-104.9	-217.4	193.2	-189.5	167.4	-50.0	-60.0	-60.0	-72.9	-81.5	-124.7
B. Grants and Loan Commitments											
1. Official Grants	40.3	40.0	40.0	40.0	40.0	44.0	48.4	53.2	58.6	64.4	82.2
2. Public M & LT Loans	210.6	356.7	537.1	566.2	562.4	532.5	839.6	864.1	1036.7	1105.1	1242.1
2.1 IBRD	31.0	84.0	156.0	110.0	92.5	111.5	167.5	215.0	207.5	165.0	204.1
2.2 IDA	14.0	36.0	61.0	27.0	184.8	110.0	120.0	107.5	115.0	107.5	176.9
2.3 Other Multilateral	10.7	67.1	44.3	57.0	50.0	27.3	29.7	32.4	35.3	38.5	59.2
2.4 Governments	35.5	69.0	173.9	136.7	125.0	189.6	205.7	223.3	242.4	263.1	397.7
of which, centrally planned economies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5 Suppliers Credits	56.5	19.4	0.0	0.0	30.0	30.0	50.0	52.5	55.1	57.9	0.0
2.6 Financial Institutions 2/	62.9	81.2	102.0	235.5	80.1	64.2	266.7	233.4	381.5	473.1	404.2
2.7 Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Other M & LT Loans (where available)	7.5	0.0	0.0	0.0	0.0	.	.	.	.	.	.
C. Memorandum Items											
1. Grant Element of Total Commitments	23.0	36.5	34.9	35.0	45.9	46.5	28.3	33.6	25.8	23.2	38.6
2. Average Interest (Percent)	6.4	5.2	8.5	8.5	4.1	4.9	6.4	6.0	6.6	6.9	5.3
3. Average Maturity (Years)	17.5	25.6	31.0	30.0	30.2	28.8	19.9	21.9	18.4	16.3	24.9

1/ Includes financing of projected balance of payments deficit (1980-1990) on commercial terms.

2/ Includes commitments on gapfill.

EAN CPIA
June 8, 1981

KENYA
Attachment 4B
Debt 1/ and Creditworthiness

	Actual 1976	1977	1978	1979	Projected 1980	1981	1982	1983	1984	1985	1990
A. Medium and Long-term Debt (Disbursed Only) (US $ million)											
1. Total Debt Outstanding (DOD: End of Period)	100.5	917.1	1290.7	1616.7	2169.2	2655.8	3179.8	3769.5	4358.1	4941.7	7219.6
2. Including Undisbursed	1331.2	1700.4	2343.7	2841.9	3470.9	3808.0	4414.4	4979.1	5677.2	6326.7	9095.6
3. Public Debt Service	-49.4	-57.3	-121.9	-118.2	-248.1	-324.5	-387.9	-482.8	-549.4	-702.0	-1236.4
3.1 Interest	-23.9	-32.4	-52.6	-68.2	-106.8	-129.1	-154.8	-183.4	-210.8	-246.5	-364.7
4. Other M & LT Debt Service	..	..	..	..	..	..	..	..	..	..	..
B. Debt Burden											
1. Debt Service Ratio	4.4	3.6	7.8	8.4	12.9	15.1	15.9	17.3	17.2	19.2	18.2
2. Debt Service/GDP	1.4	1.3	2.3	2.0	3.6	4.1	4.4	4.9	5.1	5.8	6.2
3. Public Debt Service/Government Revenue	6.6	6.1	10.5	8.4	14.9	17.2	18.4	20.5	21.1	24.2	25.8
C. Terms											
1. Interest on Total DOD/Total DOD	3.4	3.5	4.1	4.2	4.9	4.9	4.9	4.9	4.8	5.0	5.1
2. Total Debt Service/Total DOD	7.1	6.2	9.4	7.3	11.3	12.2	12.2	12.8	12.6	14.2	17.1
D. Dependency Ratios for M & LT Debt											
1. Gross Disbursements/Imports (incl. NFS)	15.9	16.1	17.5	23.3	20.6	24.2	25.4	26.4	24.9	25.0	16.3
2. Net Transfer/Imports (incl. NFS)	11.6	12.1	14.2	19.6	15.0	17.0	17.5	17.4	15.7	14.0	3.7
3. Net Transfer/Gross Disbursements	72.6	75.2	81.0	84.3	72.8	70.2	68.9	65.7	63.1	55.9	23.0
E. Exposure											
1. IBRD Disbursements/Gross Total Disbursements	37.0	44.5	14.6	10.7	9.9	22.1	16.9	25.4	16.6	15.4	15.2
2. Bank Group Disbursements/Gross Total Disbursements	15.0	22.6	20.1	16.4	27.9	41.8	25.8	38.7	25.7	23.9	27.3
3. IBRD DOD/Total DOD	24.2	37.7	25.2	22.2	18.4	20.3	20.5	22.7	22.6	22.4	21.3
4. Bank Group DOD/Total DOD	22.0	34.2	35.1	31 4	29.4	34.2	34.2	37.3	37.1	36.9	39.0
5. IBRD Debt Service/Total Debt Service	29.7	31.3	21.0	28.6	13.5	12.0	13.6	13.6	15.8	16.0	18.1
6. Bank Group Debt Service/Total Debt Service	31.5	33.2	22.1	29.9	14.1	12.9	14.6	14.6	16.8	17.0	19.4

1/ Includes Kenya's share of a notional 50 percent of EAC debt.

EAN CPIA
June 8, 1981

KENYA

Attachment 5

CLASSIFICATION OF PROPOSED LENDING PROGRAM FY 82-86 BY DEVELOPMENTAL OBJECTIVES

Project	Loan Amount US - $	Benefit Low Income Group	Promote Agricultural Production	Create Employment	Spatial Diversification	Institution Building	Foreign Exchange Earnings	Foreign Exchange Savings	Promote Industrial Production
FY 82									
Population II	40.0	X							
Urban Transport	50.0	XX							
Forestry III	75.0	X						X	XX
Cotton Processing & Mktg.	31.0					XX			
Structural Adj. Credit II	130.0		X			X			X
Industry I (Soda Ash)	25.0						XX		
FY 83									
Cotton Production	15.0		XX						
Urban Dev. III (Small Towns)	40.0	X			XX				
Grain Marketing	55.0		X						
Power IV	60.0							XX	
IDB V/SSI II	73.5	X		X		XX	XX		
FY 84									
Highway Sector II	90.0				X				
Structural Adj. Credit III	120.0		X			X			X
IADP III	55.0	XX	X						
Energy II	52.0							XX	
Education VI	50.0	X				X			
FY 85									
Arid & Semi-Arid Areas II	45.0	XX	X						
Irrigation II	60.0		X		X				
Population III	80.0	X							
Urban Dev. V	70.0	X							
Agricultural Proc. III	80.0		XX	X		X			
FY 86									
DFC VI	80.0			X	X	XX	XX		
Railways II	72.0				X	X			
Power V	100.0							XX	
IADP IV	50.0	XX	X						
Agricultural Credit V	60.0		X		X	X			

XX = Primary objectives
X - Secondary objectives

KENYA

Attachment 6

Sensitivity Analysis on Kenya's Creditworthiness

	Percent				
	Base Run	Sensitivity Analysis Runs I	II	III	IV
GDP Growth (1980-85)	4.1	4.1	4.1	3.0	1.0
Export Growth (1980-85)	6.0	1.0	3.0	3.0	3.0
Debt Service Ratio (1985)	19.2	41.5	32.2	29.6	25.1
Current Account Deficit (1985) (US$ million)	674	1,490	1,203	1,049	817

The above table shows Kenya's debt service ratio in 1985 under alternative assumptions regarding GDP growth and export growth. The base run, which assumes an average GDP growth rate of 4.1% for 1980-85, an export growth of 6.0% and an import elasticity of -0.8 for 1980-82 and 0.7 thereafter, results in a debt service ratio rising from 12.9% in 1980 to 19.2% in 1985. All the sensitivity runs assume lower export growth, lower GDP growth or both. If export growth were to be about 3% per year, and a growth rate of GDP equal to that in the base run (4.1%), the debt service ratio would be 32.2% by 1985; even a GDP growth rate of 1% per annum would result in a debt service ratio of 25.1% in 1985.

All the alternative scenarios also imply a larger current account deficit than in the base run. Since the base run represents the probable maximum external financing that could be mobilized, it would appear that a rate of growth of exports of less than 6% could only be handled through a decline in GDP. This conclusion is supported by the following two sensitivity projections which assume the same level of external financing as in the base run; with an export growth rate of about 1% per annum there is a decline in GDP of almost 2% per annum between 1980-85, while an export growth rate of about 3% per annum is associated with a GDP growth rate of 0.5% per annum.

	Percent		
	Base Run	Sensitivity Analysis Runs V	VI
Level of external financing (1981-85) (US$ million)	5189	5189	5189
Export Growth (1980-85)	6.0	1.0	3.0
GDP Growth (1980-85)	4.1	-2.0	0.5

KENYA

Attachment 7

Economic and Sector Work Program (FY81-83)

The fundamental development issues facing the Kenyan Government are discussed in paras. 18-31 of the CPP, while the measures needed to deal with some of these problems are listed in para. 34 and the Bank's strategy in paras. 48-57. The economic and sector work described in this Attachment forms an integral part of the Bank's strategy and is designed to improve our understanding of the key structural relationships underlying Kenya's economic performance and development prospects in order to assist Kenya in dealing with the problems facing it and underpin the Bank's lending in support of the Government's efforts. While the economic and sector work carried out and planned for FY81-83 is set out in some detail, the agenda of studies for later years is still incomplete and consists only of fairly general ideas, discussed below, for studies to be undertaken in FY84-86.

The economic and sector work program over the last couple of years has been largely focused on completing the Basic Economic Report (started in FY78) and laying the basis for the First Structural Adjustment Credits approved in FY80. The work on the Basic Economic Report, which is now in yellow cover, has been successful in analyzing and directing attention to some of the major development issues in Kenya through a series of working papers, special reports and annexes to the main report; included was a report on Population and Development in Kenya and an annex on Poverty and Growth. In addition, major portions of the report deal with the major structural problems in agriculture and industry. This work has formed the basis for the more detailed analysis carried out in preparation for the First Structural Adjustment Credits and the Initiating Memorandum for a Second Structural Adjustment operation. Thus, while it is doubtful that the concentration of effort on the Bank's Economic Report over an extended period was the most effective use of available manpower, the results of our economic and sector work have been worthwhile and have supported our discussion with the Kenyan Government both on questions such as population growth and income distribution, and also on the specific restructuring measures agreed on as part of our structural adjustment lending.

In our economic and sector work program for the next few years we will concentrate on areas of fundamental importance to Kenya's long-term development prospects and restructuring of the country's economy. Major problem areas include: agriculture, to provide both the analytical basis for project lending, and also for policy discussions in connection with structural adjustment lending; industry, to continue the technical work already begun under the First Structural Adjustment Credits and the UNDP-financed Bank-executed planning project; energy, to help define specific demand management policies and identify investment opportunities to develop new sources or reduce the use of energy. With respect to other long-term policy concerns, we intend to follow up on the population report to support the efforts to promote family planning and a change in attitude to family size. Work will also be done in the area of resource mobilization; an urban sector mission is addressing the problem of local government finances, a planned study of agricultural cooperation will analyze their role, e.g., in mobilizing rural savings, and a financial sector study will deal with the major financial intermediaries and their effectiveness in mobilizing domestic and foreign resources. Finally, we will begin to address the issue of public administration. The proposed updating of the education sector memorandum will deal with the education and training system; other issues, such as parastatal efficiency, will be the subject of separate, as yet undefined, studies.

II. Agenda of Studies FY-81-83

FY81

(1) Basic Economic Report (Completion): The completion of the BER started in FY79 has been delayed because staff had to be diverted to the appraisal of a structural adjustment loan. The BER will focus its analysis on two themes. First it will attempt to evaluate economic policies and programs since the early 1970s. Particular attention will be given to assessing both past performance and the need for further restructuring of industrial policies, financial institutions, tax and expenditure systems and regional development.

The second major theme will be long-term historical consequences of development for Kenya's rural and urban poor, with special attention being devoted to diagnosing the mechanisms through which the poor have benefitted (or been impoverished). Based on this diagnostic analysis and taking into account (a) the long-run demographic pressures facing Kenya and (b) the likely profile of opportunities and constraints posed by the external environment and internal resources, the report will attempt to sketch the strategic policy choices and options that must be confronted to provide the best hope for self-sustaining development skewed in favor of poverty alleviation. In carrying out analyses of these two themes, the BER will rely heavily on the portfolio of completed special studies which have been designed to dovetail into the BER.

It is likely that the most significant linkage between these two themes is to be found in policies designed to raise the income levels of those dependent on agriculture. Therefore, an important part of the BER will be devoted to an analysis of trade policies as they affect both traditional and non-traditional exports, a study of farm productivity, and already completed work on the impact of population pressure on rural landholdings, incomes and rural-rural migration.

The BER will also analyze the efficiency of resource use in the industrial sector, the nature of interactions between the urban formal and informal sectors, trends in wage employment growth and factor productivity in the modern sector, progress to date and future potential for developing an African entrepreneurial class, and the usefulness of financial instruments as well as Government expenditure policy in achieving restructuring and poverty alleviation goals. The BER is directly linked to our objective intensive dialogue with the Government on policy issues. (Audience: Bank, Government and Consultative Group; staffing EA1DA 25.)

(2) Memorandum for Consultative Group: This paper will review the major developments in the Kenyan economy since the issuance of the last CEM in May 1979. Particular attention will be paid to the progress of the program being supported by the structural adjustment credit. Balance-of-payments prospects will be reviewed in the light of recent developments with a view to determining the need for further non-project assistance by the Bank and other donors. This study will provide part of the analytical background for the next structural adjustment operation and will serve as a basic document for the May 1981 Consultative Group meeting. (Audience: Consultative Group, Bank; staffing EA1DA 13, YP 10.)

(3) Problems of Structural Adjustment: While the major studies leading to a change in the regime of industrial protection are funded by UNDP and involve roughly 100 manweeks per year of consultant time, continued staff input will be required to review terms of reference and the studies themselves. This time is not budgeted in structural adjustment lending. The studies will involve: (i) designing specific measures to bring about a transition from a quantitative restriction-based trade regime to one based on uniform and moderate tariffs; (ii) analysis of the problems such as shift poses for particular industries; and (iii) examination of alternative policies for helping potentially viable firms improve their efficiency. This study aims at supporting our objective of assisting the Kenya Government to restructure its economy. (Audience: Government and Bank; staffing EA1DA 12, DPS 6, required specialty-familiarity with the problems of industrial transition.

(4) Agricultural Sector Memorandum: General review of sector, issues and strategy for Bank Group lending focussing on marketing and pricing, institutional structure and role of parastatals and ministry organizations. This document is expected to provide the background necessary for a possible approach to use of structural adjustment or sector lending as a tool for an intensified policy dialogue. To be completed in draft by June 1981 and issued in yellow cover March 1981 (following discussions with Government). (Audience: Government and Bank; staffing EAP 15.)

(5) Internal Transport Analysis: This study will assess the impact of the Government policy changes required to obtain a more rational allocation of traffic between rail and road, especially after completion of a road user charges study to be completed end 1980. It will examine the efficiency of Kenya Railways (established in 1976 after the breakdown of the EARCO) and evaluate the implementation of the 1979-83 transport sector plan. The TSM will also attempt to study the road transport subsector and to make recommendations on policy issues and data collection systems. The SM would substantially intensify our dialogue with the Government on policy issues. (Audience: Bank and Government: staffing, EAP 15.)

(6) Small Livestock Survey (Completion): To be issued in yellow cover March 1981. This SM would review potential for subsector development and identify investment possibilities as well as financial resources required. The SM is expected to shed light on our lending prospects to the small livestock

subsector. FY81 input 10 staffweeks. Report completed in draft. To serve as basis for discussions of subsector and possible project identification. (Audience: Bank and Government; staffing, EAP 4.8.)

(7) Agricultural Credit and Interest Rates. This paper is expected to review the present institutional arrangements for delivering credit to the agricultural sector, especially as it meets the needs of small farmers. The problems of rates to final borrowers and intermediation costs will be addressed, as will the issues of timeliness of credits, determination of the amounts lent (both to the sector and in individual operations) and repayment problems. FY81-FY82; to be issued in white cover final and discussed with Government. (Audience: Bank and Government; staffing, EAP 1, Consultants 10, EA1DA 4.)

(8) Agricultural Pricing Study: Report would elaborate on current system of pricing policies and control mechanisms, identify issues and propose general approach for Bank Group dialogue with Government. (Audience: Government and Bank; staffing EAP 10, Consultants 8, EA1DA 7.)

(9) Urban Sector Memo: The Bank's planned urban lending program for Kenya anticipates its third and fourth projects in the next two to three years. In this context, the memo aims at reviewing past and future Bank urban development strategy and its consistency with the objectives of the Fourth Development Plan and beyond. The recent creation of an operating ministry for Housing and Urban Development has made the timing for initiating policy dialogue with the Government propitious. However, this requires a more solid factual base. (Audience: Government and Bank; staffing URBD 32, Consultants 12, EDI 5.)

(10) Industrial Sector Updating: To update and analyze recent data on the the industrial sector, particularly on manufacturing, and examine the possibilities of export-oriented opportunities in order to understand the effect of adopting a strategy of moving substantially away from new import-substitution investments. A few recently produced reports will be used in this analysis. (Audience: Bank: Staffing EAP 10.)

(11) Energy Study: The study will analyze the economy's dependence on foreign oil and its short- and longer-term implications for economic growth and poverty alleviation. It will also attempt to identify domestically available alternative energy sources, especially in agriculture, including charcoal and other biomass alternatives. The emphasis of the study will be on the policy choices the country will have to face, including pricing of domestic energy sources. The findings of the study are expected to intensify our policy dialogue and lay out some options for expected future Bank activities in the sector. (Audience: Government and Bank; staffing CPS and Consultants 57, EAP 2, EA1DA 9.)

FY82

(12) Investment Incentives Study: This study will follow the ongoing technical assistance project's study of Kenya's trade and tariff regime. The paper is expected to review the present system for fiscal and other non-tariff incentives offered to foreign and domestic firms to promote industrialization. Criteria for selecting private projects for public financial or equity participation will also be reviewed. The study will support policy changes to be implemented in the course of future structural adjustment operations. (Audience: Bank and Government; staffing EA1DA 15, Consultants 10.)

(13) Financial Sector Study: This study will examine the roles of and relationships among Kenya's main financial intermediaries, Kenya Commercial Bank, KTDC, DFCK, IDB, KIE, ICDC, KCB and its subsidiary "KCFC" in terms of coordination, coverage, duplication and areas of optimal specialization and efficiency in mobilizating domestic and foreign resources for financing industrial development. Special attention will be devoted to the additional financing requirements of domestic industry imposed by structural adjustment and how these can best be met. (Audience: Government and Bank: staffing EAP 8, Consultants 12.)

(14) Agro-Industrial Sectoral Study: Agricultural products are the largest single source of domestically produced raw materials and offer the greatest opportunity for export-oriented industrial investment. This study will examine the prospects for and obstacles to increased production and export of processed agricultural products. Production problems, credit, marketing, and other areas will be examined and recommendations will be proposed for Government action. (Staffing EAP 9, Consultants 9, EA1DA 7.)

(15) Agricultural Cooperatives Study: This study will concentrate on the analysis of the efficiency of cooperatives both in mobilizing rural savings and in the extension of credit. It will also attempt to draw the necessary policy conclusions for improving the efficiency of cooperatives. The study is expected to support our objective of poverty-oriented lending. (Audience: Government and Bank; staffing EAP 10, Consultants or CPS 10, EA1DA 5.)

(16) Land Concentration: The study of income distribution prepared for the BER found some evidence of increasing land concentration in smallholder areas. Speculative holding of land in large-farm areas also poses problems for efficient use of land and for equity. This study will review the role which agricultural taxation, or alternative measures, could play in improving land distribution and use in Kenya. It is hoped that the study will contribute to an intensive policy dialogue on the new National Land Commission. (Audience: Government and Bank; staffing EA1DA 15, EAP 15, Consultants 10.)

FY83

(17) CEM: Preparation for the 1983 Consultative Group meeting will include a review of economic performance during the Fourth Plan period (1979-83), including an analysis of progress under structural adjustment. A preliminary appraisal of lines of action for the Fifth Plan will also be offered. (Audience: Government, Bank, and Consultative Group; staffing EA1DA 30, DPS 10.)

(18) Budgetary Policy: The CEM and BER found an imbalance between recurrent and development expenditure. This is becoming a widespread problem in the Region and results in inadequate maintenance of existing capital. It will examine the efficiency of public expenditure and suggest possible budgetary reforms for coping with the problem. This study will also review the contribution of foreign aid procedures to the problem and to its solution. This task is related to our objective of continuously improved policy dialogue with the Government. (Audience: Government, Bank, and Consultative Group; staffing, EA1DA 7, DPS 25, required specialty-public finance.)

(19) Kenya Education Updating Sector Memorandum: The memorandum will update the sector memo of June 17, 1980. The memorandum will review whether the education and training system is responding to socio-economic changes, and will attempt to determine what adjustments should be made for the system to be more responsive to the social needs of the country. The memorandum will also review the cost-effectiveness of the education and training system and define possible areas to be improved in producing the needed output. The results will provide important focal points for policy discussions with the Government. (Audience: Government, Bank: staffing, EAPED 10)

Other Studies (FY84-86)

(20) Energy Demand Management. Kenya's domestic energy resources are limited and the country must use available resources with care. The Energy Sector Study (11) has identified a number of specific actions that can be taken in the field of energy conservation but additional work is likely to be needed, particularly with respect to traditional (woodbased) energy sources.

(21) Local Government Finances. Sector and project work in the urban sector has indicated an urgent need to improve the financial management and finances of urban authorities. Progress in this area is a precondition for lending for urban projects. In addition, however, it seems likely that studies of specific problems will be required to help develop appropriate policies.

(22) Private Savings. Relatively little is known about the level of sources and disposition of private savings and the factors affecting them. The Government will be asked to study these questions in connection with the proposed second structural adjustment operation. In addition, however, the Bank should undertake studies in this area as a supplement to the Financial Sector Study (13).

(23) Fertility Determinants. As noted in the text (para. 57), we intend to design appropriate projects in the lending program so that they support efforts to reduce fertility by changing attitudes towards family planning and family size. While much is known about the factors that affect fertility, and more information is being collected and analyzed, additional work will be needed to effectively apply this knowledge in the design of specific projects.

(24) Public Administration. While Kenya has a fairly effective civil service, public administration suffers from considerable weaknesses. These relate to manpower planning, training and allocation, salary levels and structure (including the policy of allowing outside business interests), as well as planning, budgeting and control processes and procedures. The management and control of the parastatal sector is a particular and important problem. While specific issues in these areas are often encountered and resolved in our project work, the time has come to treat them in a more comprehensive fashion, and considerable manpower will need to be devoted to this task.

(25) Ongoing Research by Outside Institutions:

a. The Formation of Migration Expectations	Rockefeller Foundation
b. Drought, Population Dynamics and Public Policy: A Socio-Economic Study of Kitul, Kenya	Rockefeller Foundation

(26) Ongoing Studies Financed under Bank Projects:

a. Sugar Sector Studies	Sugar I (S. Nyanza)
b. Ground Water Availability for Irrigation in the Ramisi Zone	Sugar Rehabilitation Project
c. Ministry of Works Reorganization Study	Highways III

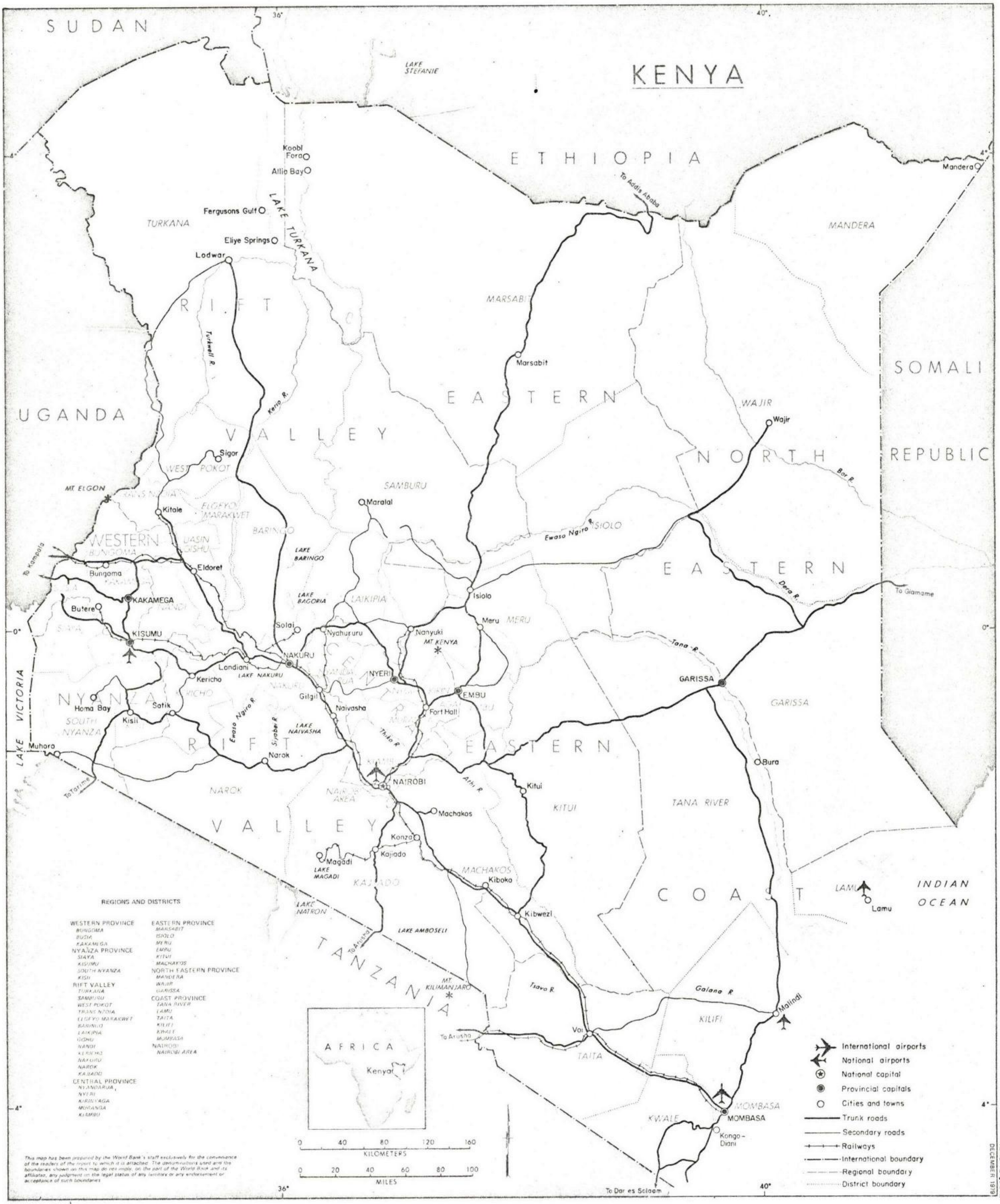
(27) Ongoing DPS Research:

a. Pricing and Financing of Urban Public Services: Water Supply and Sewage Disposal

KENYA
Summary of Proposed Studies, FY81-FY83
(Staffweeks)

	FY81	FY82	FY83	Total	Formal/ Informal Completion
Economic Reports					
1. Basic Report	25			25	F/81
2. Memorandum for Consultative Group	23			23	I/81
15. CEM			40	40	F/83
Special Reports					
18. Budgetary Policy		32		32	I/82
10. Investment Incentives Study		25		25	I/82
3. Structural Adjustment of Industry	4	14		18	I/82
Sector Reports					
4. Agriculture Sector Memo	15			15	I/81
5. Internal Transport Analysis	8	7		15	I/82
11. Financial Sector		20		20	I/82
12. Agro-Industry		13	12	25	I/83
6. Small Livestock Survey	4.8			4.8	I/81
7. Agricultural Credit and Interest Rates	9			9	I/81
8. Agricultural Pricing Review	10	15		25	I/82
13. Agricultural Cooperatives Study		15	10	25	I/83
14. Land Concentration		10	30	40	I/84
16. Urban Sector (COPD)	37	12		49	I/82
17. Energy Sector (COPD) 1/	52	16		68	I/82
9. Industrial Sector Update	2	8		10	I/82
19. Education Sector Updating Memorandum			10	10	I/83
CPP	15	15	15	45	
Total (norm 396)	204.8	170	149	523.8	

1/ Financed by UNDP.



IBRD 12438R1
DECEMBER 1979

This news item appeared on page 32-33 of the June 1981 issue of:

"AFRICAN BUSINESS"

(London, England)

KENYA

INTENSIFIED EXPORT PROMOTION

"The recession in the developed countries will have the effect of curtailing demand for primary commodities from the developing countries, including Kenya", Dr. Zachary Onyoka, Minister for Economic Planning, observed in presenting his 1980 half-yearly report. At £418m, exports were down last year by 6% on the 1978 performance. Until last August, coffee prices had been higher than in 1979, but have since slumped by 30%. Tea output is expected to decline by about 12%, from 99m tonnes last year to 87m tonnes this year, but there has been no catastrophic fall in prices. From being one of Africa's three (along with South Africa and Zaire) net exporters of food, Kenya is today importing maize, wheat and rice. Indeed, at the time of writing there was a total ban on all food exports.

In this situation, Kenya has turned increasingly to export promotion, to earn more export revenue.

In the main, Nairobi is content to leave tea and coffee promotion to the international bodies that deal with them. Kenya has been an active member of the ICO from the very beginning and, more recently, has become a corporate member of the International Tea Producers' Association based in Rotterdam. At the same time, the Kenya External Trade Authority (KETA) never loses an opportunity to project the country's two leading sources of foreign exchange.

KETA was created two years ago from the old Export Promotion Council. It forms part of the Ministry of Commerce and its director is the energetic and resourceful Mr. A. G. Barve. The authority has the active support of most related government departments, institutions and private undertakings. Its activities are only limited by the restrictions on its budget. The fact is that compared with most of its overseas competitors, KETA operates on a shoestring. It conducts seminars for Kenya exporters, and stages or participates in exhibitions and trade fairs. But it does not have the funds to give Kenya the range of coverage required. The target countries are of necessity strictly limited and KETA cannot afford to appear in any show in any one country more than once a year, if that. Within these limits, KETA has managed to show the flag in most of the key industrial and developing countries, the last occasion being the OAU trade fair in Khartoum.

In common with other Lomé countries, the authority has had some promotional assistance from EEC funds. It has also been helped by the Export Market Development Division of the Commonwealth Secretariat. Exhibition costs are often shared with the Ministry of Tourism and Kenya Airways.

A combination of fuel costs, inflation, drought and electricity cuts which affected 70% of industry in 1979 led inevitably to a substantial drop in productivity. KETA will be hard put to it to find commodities and manufactures to promote in new markets. President Moi's visits to China, Iraq, Saudi Arabia and the United Arab Emirates were in part to stimulate trade. The problem for Kenya is to produce the goods: manufacturing and industrial output is up by only three per cent, compared to 13% in 1979. Agriculture and food processing are down by nearly a third, and it is in this area that Kenya could hopefully look to improved export performance as overseas demand remains high. Demand for cement is also good, but with output down by 40% in 1979, Nairobi has had to buy in cement to honour export contracts.

There are, however, some shafts of light in the gathering gloom. After years in the doldrums the cotton industry is on the move again, and provided there is no slippage, there should soon be an exportable surplus of quality staple commanding good prices. Last year saw the emergence of Kenya as a net exporter of sugar. And in horticulture, exports of fruit, vegetables and flowers are hampered only by airfreight charges: there is a special low rate for these products, but only when space is not taken up by full-rate cargo. Brooke Bond Liebig's subsidiary Sulmac, the largest horticultural exporter, charters its own aircraft during the high (European winter) season. Horticultural exports, principally to West Germany and Britain, bring in over £11m, as against £2m in 1974.

Soda ash remains one of the best export performers, with output steadily rising from 200,000 tons to a projected 300,000 tons by 1982, the bulk of it going to overseas glass manufacturers, earning some £10m in return. Soda ash has always been the most important of mineral exports, followed by cement (its difficulties in 1979 were of a passing nature), and one should not overlook the small but steady overseas trade in gemstones.

1981 is likely to prove a difficult year for Kenya's exporters. The international climate is not promising and conditions at home will be difficult: an export industry is only as good as its domestic base. Kenya's manufacturers and industrialists are further hampered by having to import about 75% of their raw materials at ever increasing costs: the national fuel bill shot up last year from £145.7m in 1979 to £220m. Crude oil averaged £88 a tonne for the first five months of 1980, compared with £42.9 for the comparable period in 1979.

These and many other burdens notwithstanding, Kenya remains one of the most export-oriented countries in black Africa. Its performance will improve if and when it recovers its immediate regional markets in Uganda and Tanzania, which have only been partially offset by improved trade with the Sudan and Zambia. Further afield, West Germany and Britain traditionally top the Kenya export table, with the Germans' insatiable thirst for Kenya's high-grade arabica coffee, and the British thirst, needless to say, for Kenya's equally high-grade tea. By and large Kenya has maintained its reputation for quality tea and coffee. It has no difficulty in selling what it produces at a premium. But the better end of the market is as susceptible as the lower to world prices, and Kenya's earnings from its two main commodities have fallen. Here, promotion is left mainly to international bodies ■

Arnold Raphael

ing it, in the time range that was suggested, is necessary. This is, after all, the President's budget; it isn't something that the State Department or somebody else proposed, but the budget the President proposed.

The President is likely to attend the Ottawa summit this summer, and the Canadians are expected to put development issues on the agenda for that meeting. Can you give us some indication of what the Administration's thinking is on development in that context?
Well, we're in the business of preparation for Ottawa, and I don't want to try to prejudge those, except to say of course that the United States bilateral and multilateral aid budget is very substantial. We continue to think that the needs of the third world are of great importance to all the world, and that attitude will be reflected in upcoming conferences.

AID channels much of its population assistance through private agencies, some of which support abortion as a means of birth control. Given the domestic controversy over this issue, do you foresee any changes in AID's population program?
Shortly after I arrived here, I made the decision that the relatively small amount of money that was being spent by the Agency on research for methods of abortion would not be extended, and that decision is being implemented. In addition, we are making certain that any grants that we extend to groups are carefully segregated, and no US AID money is spent on abortions themselves. I think that in fact this is not a problem or a real issue because of our great sensitivity to the matter. We're simply not supportive of abortion.

The way you describe the Administration's approach to the aid program, it's seen as a positive force, not damaging to American jobs...
I think, over the relatively short term, certainly clearly over any period of time, it is very definitely a positive economic impact upon the US.

...yet rather negative things have been said about foreign aid in the context of both the campaign and the transition period. One would expect dramatic turns in the US aid program...
I think that the President has always felt that foreign aid was important for this country to extend, but he has felt that the money had to be spent wisely, wisely in the sense that you have to have tough economic feasibility criteria and controls on how the money is spent. You have to make sure that it's spent for what you think it's going to be spent; and we're doing those things. The whole business of moving away from transfer of resources, except when there's great need, to building institutions and self-help kind of orientation, is just absolutely consistent with what the President is doing and thinking domestically, as a matter of fact. This is clearly a strong reemphasis.

FOR IMMEDIATE RELEASE

World Bank

1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234

PLEASE - RETURN FOR MY 8.21 KENYA COUNTRY PROGRAM PAPER DISCUSSION (2 DAYS BEFORE - ALONG WITH OTHER MATERIALS TO COME)

BANK NEWS RELEASE July 30, 1981

CONSULTATIVE GROUP FOR KENYA

The following announcement was made today by the European Office of the World Bank at the end of the Kenya Consultative Group Meeting in Paris:

The sixth meeting of the Consultative Group for Kenya was held in Paris from July 28 to 30, 1981, under the chairmanship of Mr. Willi A. Wapenhans, Vice President of the Eastern Africa Regional Office, World Bank. Representatives of Canada, Denmark, Finland, France, Germany, Italy, Japan, The Netherlands, Norway, Sweden, the United Kingom, and the United States attended the meeting. Also represented were the African Development Bank, Arab Bank for Economic Development in Africa, European Economic Community (the Commission of the European Communities and the European Investment Bank), International Monetary Fund, Nordic Investment Bank, Saudi Fund for Development, and the United Nations Development Programme. Switzerland, the Development Assistance Committee of the Organization of Economic Cooperation and Development, and the International Fund for Agricultural Development were represented by observers.

The Kenyan delegation was led by His Excellency, the Honorable Mwai Kibaki, the Vice President and Minister of Finance, and included the Minister for Economic Planning and Development, Dr. Z. T. Onyonka, and Mr. Duncan Ndegwa, Governor of the Central Bank of Kenya.

The group discussed Kenya's economic prospects and the need for structural adjustment, in the wake of the recent deterioration of the country's international terms of trade and poor weather which had adversely affected export production and domestic food supplies.

The group agreed that revitalization of the agricultural sector which dominates the economy would be the key to future growth. It was agreed that the government's strategy for intensifying and improving land use, conserving and using more effectively soil, water, and forest resources, improving pricing and marketing structures, and accelerating project implementation warranted support for rapid implementation.

The discussion of industry focussed on the government's program for improving the efficiency and international competitiveness of the sector and improving incentives for exports. There was a broad consensus that this process was vital and that policies for implementation should be pursued vigorously.

/...

Because of Kenya's lack of fossil fuel-based energy sources and the depletion of the wood-based fuel which supplies 70% of the country's energy, the need to develop a comprehensive energy strategy and an investment program for energy production and conservation was emphasized.

Finally, the development implications of Kenya's very high rapid rate of population growth were widely noted. Population issues are receiving a high level of attention in Kenya and family planning is officially endorsed and supported.

The meeting concluded with a discussion of Kenya's external financing requirements, emphasizing the need for rapidly disbursing assistance in the light of the unfavorable world economic outlook and the structural adjustment measures the country must undertake over the next few years. Those present strongly endorsed Kenya's policies and programs of development and structural changes and indicated their continued support.

- 0 -