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KENYA



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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

May 17, 1991

H.E. Daniel T. arap Moi
President
Republic of Kenya
Harambee House
P.O. Box 30510
Nairobi, Kenya

Dear Mr. President:

We periodically review conditions in some of our most important borrowing countries, and we had an occasion recently to discuss Kenya's development efforts and the World Bank's role in supporting your Government's endeavors. I thought I would share with you some of the conclusions of that review.

Generally, we are very encouraged by the performance of Kenya's economy in recent years and continue to believe that the country has the potential to emulate the experience of the more successful developing countries. As you well know, however, developing countries will continue to face difficult external conditions during the coming decade. Uncertainty over international commodity prices and increasing claims on limited aid budgets in industrialized countries will pose formidable challenges in the years ahead. Kenya, in particular, will face increased competition from other developing countries in attracting the levels of foreign investment and development aid that it requires to sustain acceptable levels of economic growth.

It is our view that Kenya's future prospects will depend critically on the emergence of a strong and dynamic private sector. Kenya is considerably more fortunate than many of its neighbors in that it has a sizable and diversified private sector which is fully capable and indeed keen to respond to new opportunities and challenges. In this context, we have been concerned that, despite some important policy reforms, the private sector -- both foreign and domestic -- is not responding as fully as might have been expected. We believe the reasons for this relative lack of business confidence are directly related to: the existence of an excessively regulated economic environment; perceptions among potential investors that corruption makes investing in Kenya relatively more expensive; the still large role played in the economy by state corporations, regulatory bodies and public sector monopolies; and the lack of transparency that often pervades public investment decisions especially by parastatals.

Addressing these problems will require decisive action, including continuation of current efforts to dismantle unnecessary controls and regulations on economic activity and to move forward vigorously on parastatal reform. This would provide a powerful and positive signal to investors and the donor community that Kenya is well on the road to creating a freer, more transparent and efficient economic system in which the private sector will play an important role.

A comprehensive program of deregulation, together with measures to improve public sector management, reform the state corporation sector, diversify Kenya's export base, strengthen human resources and address environmental problems -- would create the basis for continued high levels of support to Kenya.

As I have stated before, Mr. President, we in the World Bank consider ourselves partners in Kenya's development effort and we stand ready to support your Government's efforts to ensure that the country's considerable long-term potential is fully realized.

Sincerely,



KENYA

Supplemental Notes to Annual Meetings Brief

Following are revisions and additions to the biographical information of the Kenya delegation to the Annual Meetings. Please note the following designations:

<u>Name</u>	<u>Title</u>	<u>Annual Meetings Designation</u>
Hon. George Saitoti	Vice-President and Minister of Finance	Governor, Bank/Fund
Mr. Charles Mbindyo	Permanent Secretary, Ministry of Finance	Governor, MIGA
Mr. Eric Kotut	Governor, Central Bank of Kenya	Alternate Governor, Bank
Mr. T.C.I. Ryan	Economic Secretary, Ministry of Finance	Alternate Governor, Fund
Mr. M.J.P. Kanga	Director of Research, Central Bank of Kenya	Alternate Governor, MIGA

Mr. T.C.I. Ryan, Economic Secretary
Ministry of Finance; Alternate Governor, Fund

Mr. Ryan was born in 1934. He received B.A. and M.A. degrees in Economics and Political Science from Trinity College and M.Sc. and Ph.D degrees in Economics from Massachusetts Institute of Technology. He was an Associate Professor at the University of Nairobi from 1966 to 1983 after which he served as Director of Planning in the Ministry of Planning and National Development from 1983 to 1989. He was promoted to his present position in 1989.

Mr. Maurice John Pette Kanga, Director of Research
Central Bank of Kenya; Alternate Governor, MIGA

Mr. Kanga was born in 1946. He received his B.A., B.Phil. and M.A. degrees in Economics from the Nairobi University. He joined the Central Bank of Kenya as Research Officer in 1973 and rose through the ranks as Director of Research from 1987 to present.

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Paves for the
Kanga

1990 ANNUAL MEETINGS BRIEF

Name of Country: Kenya

Date: August 28, 1990

Meeting with:

Hon. Professor George Saitoti	- Vice-Pres. and Minister for Finance
Mr. Charles Mbindyo	- Permanent Secretary, Finance
Mr. Eric Kotut	- Governor of the Central Bank of Kenya

Population: 23.5 m (1989) Estimated Growth Rate: 3.8% (1989)
GNP per Capita: US\$347 (1989)

	<u>(US\$m)</u>		<u>(US\$m)</u>
Total Commitments to Date:	2,266.93	FY90 Commitments:	223.0
o/w Bank (46 operations)	940.94	Disbursements:	243.0
IDA (66 operations)	1,325.99	Amortization:	82.0
Total Undisbursed:	442.73		
Lending Program: FY91-95	1,153.60		

<u>Summary Data (%)</u>	<u>Average</u>	<u>Estimated</u>	
	<u>1985-89</u>	<u>1990</u>	
GDP Growth:	5.8	4.7	Aid Group Meeting: Consultative Group
Export Growth: ^{1/}	6.2	6.0	Last Meeting: October 1988
Import Growth: ^{1/ 2/}	9.0	9.4	Special Donors Meeting: Jan. 1990
Current Account Deficit			IMF Status as of July 1990:
% GDP	-6.0	-7.9	ESAF, IMF Mission is preparing mid-
Debt Service Ratio	35.4	29.0	term review.
Annual Inflation Rate	8.2	11.0	SPA Eligibility: Yes

Background

The second tranche of the Financial Sector Adjustment Credit was released on August 27th. The second adjustment operation in Agriculture, and operations in Export Development, Education, and Health are being prepared. The key issue facing the Government is to ensure the maintenance of the pace of economic reform against a backdrop of recent political disturbances.

Issues likely to be raised by the Delegation

- Higher levels of Bank Group Assistance and quick-disbursing support.
- Higher levels of IDA lending for universities.
- Line of Credit for Industrial Development.

Issues to be raised by Bank Management

- Need to restore sound economic environment.
- Cost-sharing policies in Health.

Attachments:

- Five Year Lending Program: FY91-95
- IBRD Capital Subscription Status
- Biographical Information

^{1/} Goods and nonfactor services.

^{2/} Excludes special imports and leases.

KENYA

Annual Meeting Brief

Background

1. The last twelve months have been a very troubling period for Kenya. On the political front, the murder of the Foreign Minister, Dr. R. Ouko, in February, sparked demonstrations aimed at ensuring a complete investigation of his death. This was followed by the emergence of an intensive debate on the merits of a one-party vs. multi-party political system, the subsequent arrest in July of advocates of the multi-party system, and disturbances in the aftermath, and the car-crash death in August of Bishop Muge, who had been critical of the Government's actions. The detentions, and the Government's suppression of the debate, were viewed with alarm by some of Kenya's major aid donors who have threatened to tie levels of future development assistance to adherence to democratic principles. To date, President Moi's only concession to the proponents of the multi-party debate has been to commission a Reform Committee under the auspices of KANU (the ruling party), and the leadership of the Vice President, George Saitoti, to explore possible options for reforming the party. A rapidly evolving university crisis which stems from an expected intake of students roughly equal to three times the number admitted in each of the past two years, provides a backdrop to the political events of the past few months.

2. Over the past three years, the Government has made progress in reducing macroeconomic imbalances, and has implemented a series of sector reform programs which have contributed to a marked economic recovery. During 1987-89, real GDP grew by 5.2 percent. As a result there has been a small but steady increase in per capita incomes. Nevertheless, Kenya continues to face a difficult macroeconomic environment. CPI inflation was 10.6 percent in 1989, only slightly below the previous year's rate of 10.7 percent. The overall budget deficit on a commitment basis reached 4.7 percent of GDP (including grants) in FY89 while broad money grew by 12.9 percent in 1989, compared with 4.3 percent and 7.9 percent respectively during 1988. In the external sector, the current account deficit increased from 5.4 percent of GDP in 1988 (including official transfers), to 6.9 percent in 1989, reflecting low coffee prices and aggregate demand pressures which were fueled by relatively expansionary fiscal policies.

3. Generally, the Government's revenue effort is appropriate but the level of public spending, especially personnel expenditures, remains high. A key to improving the fiscal stance will be the Government's ability to control expansion in the civil service and the recruitment of teachers, and to improve the performance of parastatals, especially in the agricultural sector, which rely heavily on budgetary support. Without these measures, it will be difficult for the private sector to maintain its leading role in Kenya's economic recovery. Also, the economy remains vulnerable on the external front due to adverse movements in the terms of trade and the lack of growth in non-traditional exports.

4. The Bank's strategy for Kenya aims to support the Government in its attempts to deepen and widen structural adjustment reforms. Special attention is to be given to supporting private sector development, reducing the role of

the public sector, and creating the basis for long-term equitable development, while reducing the proportion of quick disbursing assistance over the next few years (from the present level of 50%). The size of the Kenya lending program, which will average roughly \$230 million per annum from FY91 through FY95, is justified on the strength of Kenya's improved performance in terms of short-term macroeconomic management and sectoral adjustment reforms. This level of support is predicated upon deepening reforms in public sector management, agriculture, export development, industrial and financial restructuring, and broadening the adjustment process by extending policy-based lending to health and education.

Issues Likely to be Raised by the Delegation

5. Issue: Higher levels of Bank Group Assistance and quick-disbursing support. The delegation is likely to press for increased levels of IDA lending to Kenya and, more importantly, higher levels of quick disbursing aid, by highlighting the success of its demand management and structural adjustment efforts. The delegation is also likely to link their need for higher levels of assistance to the Gulf crisis and Kenya's larger import bill resulting from higher oil prices.

6. Recommended Bank Position. The Bank will continue to support the Government's attempts to deepen and broaden structural adjustment reforms. Compared to most other African countries, Kenya has enjoyed sustained political stability which has fostered a stable economic climate with a dynamic private sector. The nurturing of an environment conducive to the implementation of growth-oriented economic policies, is the basis of our country assistance strategy, and has enabled us to make the case, within the Bank and the donor community at large, for high levels of assistance for Kenya with a relatively large share allocated to quick-disbursing support. However, we are concerned that the recent political developments will have serious economic consequences, especially on the balance of payments which is likely to be adversely affected by declines in tourism earnings, and aid and investment flows. In fact, we are finding it increasingly difficult to mobilize the resources required for Kenya's development efforts given doubts about the sustainability of the Government's commitment to economic reform in the current environment. These concerns, as well as the exogenous shock to the economy provided by higher oil prices, suggest the need to accelerate policy reforms in those areas already earmarked for action.

7. Issue: Higher levels of IDA lending for universities. An IDA credit of roughly \$20 million is being prepared for assistance to Kenya's universities in FY91. The delegation is likely to request a greater level of IDA funding.

8. Recommended Bank Position. In addition to the universities project, a hybrid operation for Education is under preparation for possible Board approval in FY92. Further assistance to tertiary education will have to be within the context of this operation which will require agreement on an appropriate policy framework for the overall sector. We should also add that further preparation of the universities project, and ultimate approval of the credit, will be contingent on progress towards a sound policy framework for the medium-and longer-term development of the universities sub-sector.

9. Issue: Line of Credit for Industrial Development. The delegation is likely to request an IDA credit for small-scale industrial enterprises to be onlent through commercial banks.

10. Recommended Bank Position. We should inform the delegation that the Bank will no longer provide assistance for targeted lines of credit in Kenya. The establishment of a suitable macro-economic policy framework, including the liberalization of interest rates, and the removal of distortions in the financial sector should "free-up" resources in the banking system for long term industrial development and obviate the need for targeted lines of credit. Hence, the Bank's emphasis has been on assisting the Government with the reform of the overall financial sector. As such, the Government should be congratulated for the successful implementation of the Financial Sector Adjustment Program (second tranche was released on August 27).

Issues to be raised by Bank Management

11. Issue: Need to restore sound economic environment. In the current climate of uncertainty caused by recent political developments, the Government needs to demonstrate an unwavering commitment to its economic policy reforms, and to avoid backtracking on previously announced policy measures. Specifically, vigorous efforts in the following areas are required: a) improving the efficiency and productivity of the public sector through bold and accelerated action in such areas as public service employment, rationalization of the public investment program, Government divestiture from production and service activities better suited for the private sector, and autonomy for parastatals; b) eliminating controls on the inter-district movement of maize, and ensuring more timely payments to farmers; c) expanding incentives to move the economy towards an aggressive, broad-based export posture; d) extending the economic gains of the past few years to the more disadvantaged by more concerted efforts to address issues of poverty and social equity; and e) better management of Kenya's wildlife and dwindling forest resources.

12. Issue: Cost-sharing Policies in Health. President Moi has announced the suspension of the cost-sharing policies which were introduced in the Health sector last year. Subsequently, the Minister of Finance has communicated to the Bank a "clarification" of this decision, stating that the suspension is temporary, and restating the Government's commitment to the continuation of cost-sharing. However, the public perception, as reflected in the local press, is that cost-sharing has been terminated. We should emphasize the importance that the Bank attaches to both improving the quality of health delivery, and to placing the financing of the sector on a sustainable footing. Hence, we should ask that the Government urgently clarifies, for the Kenyan public, its position.

13. The Bank should also congratulate the Government for adhering to its exemplary population program, and for its initiative in convening the Presidential Commission on Employment - the results of which are expected in October and are eagerly anticipated by the Bank.

Kenya Lending Program
(FY90-94)

	PROJECTS	STATUS	IDA (US\$ Million)
FY90	Population IV	A	35.0
	Coffee II	A	46.8
	Nairobi Water Supply III	A	64.8
	TA	A	5.0
	TA-DFI Res/Exp	A	6.0
	Fin. Sect. Adj.	A	44.0
			201.6
FY91	Agric. Sector Adj. Oper. II		75.0
	Agric. Natl. Ext. I		25.0
	Forest Development		23.0
	Export Development		100.0
			223.0
FY92	Health Rehabilitation		20.0
	Education Sector I		65.0
	Urban Transport		40.0
	Universities Pro.	S	20.0
			145.0
FY93	Wildlife	R	30.0
	Transp. Corridor	R	30.0
	Second Mombasa Wat.	R	30.0
	Road Maintenance		35.0
FY94	Health & Nutrition Ref. I		50.0
	Parast. Ref. I		60.0
	Energy Sector	S	70.0
			215.0
	Agric. Marketing	R	30.0
FY94	National Agric.	S	80.0
	Ind/Inf. Sector		100.0
	Urban IV		60.0
	Smallholder Dairy Dev.	S	35.0
			275.0
	Ed. Sector. Adj. II	R	60.0
	GRAND TOTAL		1059.6
	Total Number of Operations		22
	Reserve Projects		5

NOTE: A = Actual; S = Standby; R = Reserve

IBRD CAPITAL SUBSCRIPTION STATUS - BY COUNTRY
(AS OF JULY 31, 1990)

RESOLUTION NO. ADOPTED		SHARES ALLOCATED				AMOUNTS TO BE PAID IN FOR UNSUBSCRIBED SHARES		NATIONAL CURRENCY UNRELEASED FOR SHARES SUBSCRIBED \$ MIL EQ A/
		TOTAL	SUBSCRIBED		UNSUBSCRIBED		PAYABLE IN US \$ A/ (\$ THOUS.)	
			NO.	\$ MILLION	NO.	\$ MILLION		
KENYA								
190	63/09/30	333	333	40.17	0	.00	.00	.00
258	70/07/31	67	67	8.08	0	.00	.00	.00
314	77/02/09	150	150	18.10	0	.00	.00	.00
346	80/01/04	515	515	62.13	0	.00	.00	.00
347	80/01/04	250	250	30.16	0	.00	.00	.00
395	84/08/30	66	66	7.96	0	.00	.00	.00
425	88/04/27	1080	1080	130.29	0	.00	.00	.00
TOTAL		2461	2461	296.88	0	.00	.00	.00
								8.6

A/ AS OF JUNE 30, 1990. DOES NOT INCLUDE TRANSLATION ADJUSTMENT.

BIOGRAPHICAL INFORMATION

Delegation of Kenya

The Honorable Professor George Saitoti
Minister of Finance, Governor, Bank

Professor Saitoti was born in 1944. He received a M.Sc. from the University of Sussex and a Ph.D. from the University of Warwick. From 1971 to 1983 he taught Mathematics at the University of Nairobi. Between 1974 and 1981 he was a member of the East African Legislative Assembly. He served as Chairman of the Mumias Sugar Co. from 1980 to 1983, and Director and Executive Chairman of the Kenya Commercial Bank from 1977 until his appointment as Minister of Finance in October 1983. Professor Saitoti has led the Kenya delegation at the two most recent Consultative Group meetings. He is currently Chairman of the Board of Governors.

Mr. Charles Mbindyo, Permanent Secretary
Ministry of Finance; Alternate Governor, Bank

Mr. Mbindyo was born in 1940. He was educated at Makerere University where he was graduated in 1965, following which he joined Government service. Up to 1968, he served in District and Provincial administrative posts. He joined the Ministry of Finance in 1968 where up to 1977 he served in posts in the Treasury and in Planning. In 1978, he was appointed Managing Director of Kenya Industrial Estates (KIE). In 1985, he moved to become Managing Director of the Agriculture Finance Corporation (AFC). At KIE and AFC, he worked closely with Bank staff to strengthen institutional and management capacity. He was appointed Permanent Secretary, Finance in 1986.

Mr. Eric Cheruyot Kotut, Governor
Central Bank of Kenya; Governor, Fund

Mr. Kotut was born in 1943. He received a B.Com. from the University of East Africa. He served as Director of the Industrial Survey and Promotion Center from 1971-79, and Managing Director of the Kenya National Trading Corporation from 1979-84. He also served as Deputy Governor of Central Bank of Kenya from 1984-88 until his appointment as Governor in January 1988.

OFFICE MEMORANDUM

DATE: September 14, 1990

TO: Mr. Willi A. Wapenhans, Actg. Sr. Vice-President, OPNSV

THROUGH: Mr. Edward Lim, Acting Vice-President, Africa Region *Z*

FROM: Callisto E. Madavo, Director, Eastern Africa Department *CEM*

EXTENSION: 34036

SUBJECT: Talking Points for the Meeting with Vice-President Saitoti of Kenya

Attached are the suggested talking points for President Conable's and Mr. Qureshi's meeting with Vice President Saitoti on September 20. For ease of reference, I have also attached copies of the letter from Mr. Jaycox to Mr. Saitoti expressing concerns about recent political developments in Kenya, and a note concerning points made during my recent talks with Mr. Saitoti on the same subject.

GByam:ejm

cc: Messrs. Qureshi o/r, Jaycox o/r, Wai, Ms. Okonjo-Iweala

KENYA: TALKING POINTS

1. Our country assistance strategy assumes the existence of a political and economic environment conducive to sustained economic growth.
2. Kenya has enjoyed a remarkable period of political stability and consensus which has encouraged the emergence of a relatively dynamic private sector.
3. The country's stable economic climate and good performance have enabled us to mobilize high levels of IDA and other donor assistance, with a relatively large share allocated to quick disbursing support.
4. Recent political developments are endangering the political consensus, raise questions about the Government's continuing ability to implement and sustain economic reform, and threaten to erode current levels of donor support.
5. Also, developments in Eastern Europe and the emergence of stability in Southern Africa mean that these areas are attracting increasing attention from donors.
6. To counter the uncertainty created by the recent political developments, even more vigorous economic policy reforms will be required in order to maintain an acceptable level of economic performance. Areas requiring bold initiatives include public sector management (e.g. parastatal reform), export development, human resource development, and the growth of the smallholder sector.
7. In other words, the Government needs to demonstrate an unwavering commitment to the stabilization and adjustment programs by implementing bold and meaningful policy reforms, and by avoiding backtracking on previously agreed policy measures.
8. In addition, steps will have to be taken to restore and broaden the political consensus, in part by demonstrating greater concerns for issues of poverty and social equity, and by reintroducing accountability, transparency and participation as elements of day to day decision making.

EDWARD V. K. JAYCOX
Vice President,
Africa Region

August 3, 1990

His Excellency
Professor George Saitoti
Vice President
P. O. Box 3007
Nairobi, Kenya

Dear Mr. Vice President,

As is customary, the Annual Meetings will provide us with the opportunity to review Kenya's economic situation and prospects and to discuss specific aspects of the Bank's assistance program in support of your development efforts. While looking forward to that opportunity, I think it is important, for reasons that I will give below, to bring to your attention a number of questions that have emerged as a result of recent political developments in Kenya concerning the sustainability of the structural adjustment and long-term development programs of the Government that the Bank has been actively supporting in recent years.

As you know, our country assistance strategy is predicated upon the assumption of an environment conducive to sustained economic growth. Compared to most other African countries, Kenya has enjoyed sustained political stability which has fostered a stable economic climate with a dynamic private sector. It is this achievement that has enabled us to make the case, within the Bank and the donor community at large, for high levels of assistance for Kenya with a relatively large share allocated to quick-disbursing support. The high levels of external financial assistance that we have been successful in mobilizing is supporting an impressive set of policy and institutional reforms that the Government is undertaking. Notable among these are the reforms in the trade regime, especially the import liberalization measures; the financial sector reforms; and the improvements in agricultural marketing arrangements, including steps to restructure the National Cereals and Produce Board (NCPB).

We view the progress that has been achieved to be significant and consider the Government's development objectives and strategies, as articulated in the 1986 Sessional Paper and reinforced in the current Five-Year Development Plan (1989-93), to be appropriate. Nonetheless, we continue to argue that the rapid economic growth, which is key to meeting Kenya's employment needs and is essential to ensuring the provision of the basic human services to the population, can only come about with a more

vigorous effort to address key constraints that impinge on Kenya's development potential. In this regard, in our ongoing policy discussions with you and your colleagues, we have identified a number of areas as critical to deepening the adjustment program in the short to medium term. Among these are: first, the need to improve public sector management to contain expansionary fiscal policies, rationalize recurrent expenditures, strengthen the public investment program, increase efficiency of public enterprises, and build institutional capacity; second, the need to expand and diversify the export base to increase the incomes of smallholders, and to reduce unemployment and the reliance on external assistance, by encouraging private investment in export activities, improving export incentives, and relieving constraints to export production and marketing; and third, the need to lay the foundations for sustainable development by strengthening Kenya's human resource base, addressing equity issues, and improving environmental management.

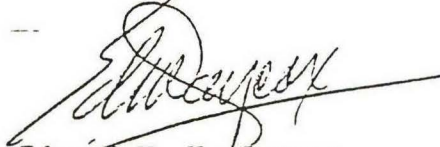
In our view, in addressing this agenda in the next few years, the Government will be confronted with policy choices that have significant political and social implications on matters such as, cost recovery for social services, including education and health; parastatal reform, involving divestiture of some enterprises; and expenditure rationalization measures, leading to possible redeployment or retrenchment of labor. Successful implementation of these measures will require not only the strong commitment of the Government, but also the undivided attention of the economic management team. Moreover, it requires a political context favorable to transparency in decision making and to forging a national consensus on critical issues. It is for this reason that we must express our strong concern over recent political developments in Kenya, which we view as detrimental to good governance and economic development.

The recent events will have serious and specific economic consequences, especially on the balance of payments, which is likely to be seriously affected by declines in tourism earnings and aid and investment flows. Your attempts to increase significantly the inflows of private capital is bound to be severely hampered. Within the donor community, there is also great concern about your ability and willingness in the current environment to undertake the reforms required under stabilization and adjustment programs. This means that it will be increasingly difficult for us to continue to press the case for Kenya, both within the Bank and with donors.

We see ourselves very much as partners with the Kenya Government and as a catalyst in the development process. We are not permitted by our charter to base our lending decisions on such criteria as forms of political organization, human rights and so on. We cannot, however, provide enough support and resources by ourselves to ensure development success -- we need our bilateral partners. And if that bilateral support were to dry up, it would be difficult for us to continue on our own.

I hope that things will soon return to normal and that Kenya's productive relationship with the World Bank will long continue into the future.

Sincerely,



Edward V. K. Jaycox
Vice President, Africa Region

KENYA: Notes on Madavo's recent Discussion

1. Madavo opened the meeting by explaining the purpose of his visit: to deliver a letter to the VP from Edward Jaycox AFRVP which expresses concern over recent political developments which the Bank fears could lead to a loss of the political consensus and cohesion which has underpinned Kenya's economic success in the past. Other donors are also concerned, and there is the strong possibility that donor support to Kenya could begin to erode. The loss of political consensus in Kenya together with the erosion of donor support would compromise the Government's ability to implement economic reform and change the Bank's role in coordinating and promoting donor efforts in support of Kenya's adjustment program; the Bank would then be forced to review its own lending program.

2. Because of the "partnership" that the Bank has had with the Government over many years in the country's development effort, Madavo thought it important that the Bank should be open and frank with the Government and that he should personally deliver the message to the VP and the economic management team. And he wanted to convey the message in a constructive way, and to explore with them possible approaches to dealing with the concerns raised in the letter. He hopes the Vice President would inform President Moi of the Bank's concerns as appropriate.

3. The concerns need to be placed in the context of both historical and global developments. On the historical front, Africa over the past decade has attracted considerable concessional external support. Kenya - being a unique case of political stability and consensus - has been one of the few African countries which have been successful in using this support in the development effort, creating an environment conducive to the private sector and the effective use of donor funds. There are indications that recent events in Kenya are leading to a reassessment of Kenya as a success story and thus its attractiveness as a country for private investment and donor support. On the global front, developments in Southern Africa (and the emergence of stability in some other African countries) and in Eastern Europe are attracting increasing attention from the private sector and donors. Thus with a deteriorated political climate (and Kenya is now being mentioned by the international press in the same light as Zaire) and the increasing attraction of other countries, Kenya will have to take urgent steps to restore political consensus and reconciliation and to create again an economic environment commanding business and donor confidence.

4. Madavo emphasized that the Bank's concern is with the economic health of the country. On one hand, this involves the Government addressing even more vigorously the difficult issues relating to public sector management (including parastatals and corruption), export development, and human resources and the environment. On the other hand, it involves the Government addressing the issues on the political side since political stability and consensus is essential to create the environment for economic health. This concern is, as indicated earlier, shared by other donors and will no doubt underpin their attitudes at the Annual Meeting of the Bank and the Fund (September), the SPA meeting (October) and the Consultative Group Meeting (November). The Government

will have to address donor concerns credibly at these meetings if confidence is to be restored.

5. Madavo finished off by saying that there were three areas of action required by the Government:

(a) Reaffirm strongly its commitment to stabilization and structural adjustment, with vigorous efforts for reform and action in the areas of public sector management, export development, and human resources and the environment.

(b) The removal of the perception among donors that the mechanisms for decision making in crucial areas are ad hoc. The lack of mechanisms for ensuring that the implications of crucial decisions are fully understood has resulted in Presidential pronouncements which undermine agreed policy directions. The recent announcement of the President on the discontinuation of cost recovery in health is illustrative of this.

(c) Steps to restore political stability and consensus, with "accountability", participation, and transparency being cornerstones of a reformed political dispensation.

6. The VP responded by saying that he was glad that the Bank decided to have Madavo convey the message personally and that he took seriously that message. He saw the Bank as an important partner in Kenya's development, and appreciated its role in rallying donor support. He would not want to see this relationship compromised.

7. The Government remains fully committed to the stabilization and adjustment program. The Bank's confidence in this commitment should not be shaken by one or two pronouncements. On the issue of parastatal reform, the Government wants to take a bold approach, incorporating a strong privatization program and the removal of subsidies. Cost sharing would continue to be pursued. The VP went on to illustrate the cost sharing which takes place in education, primary (the Government pays the teachers, with parents supporting the rest of the expenditure needs), secondary (subsidized but an increasing proportion being contributed by parents), and university (substantial registration fees being introduced - although this being held back as, in current political climate, students would "get excited"). In health, the Government has no intention on going back on its commitments, however, the recent announcement of the President reflected a real concern with the treatment of the very poor, a concern which has been expressed forcefully to the Kanu Review Committee by many ordinary people throughout the country. A clear statement on the coverage and nature of the President's statement on the discontinuation of cost sharing in health would be prepared by Charles Mbindyo, and the VP was certain that this would remove donor concerns.

8. The VP wanted Madavo to convey to Jaycox the commitment of the Government to continued economic stabilization and structural adjustment. The oil crisis emerging as a result of developments in the Gulf and the need to deal with the rapid expansion university intake will place a real strain on the Government, but trying to deal with these outside the context of the strong stabilization and adjustment program would make their impact much worse.

9. The Government was aware that political stability and consensus is essential to the sustainability of the reform program. The Kanu Review Committee, chaired by the VP, has been holding meetings throughout the country, with people being allowed to talk freely. All stratum of society have presented their views, and the VP was certain that the outcome will be reform proposals which will set a stable and secure pattern for the future. The exercise is a very serious one indeed, and is not a "gimmick" to divert people's attention from other means of political expression. The VP had no doubt that political consensus will be restored, and that the Committee's work had been conducted with great openness and that the resulting report would be a "landmark" document.

10. The VP then talked about the detainees. He stressed that they were not in detention because they raised the issue of pluralism; they were detained because that used the multi party slogan as a camouflage for designs of actually overthrowing the Government. The riots were to be a trigger for setting the basis for a popular uprising which of course did not materialize. What saved the situation was the fact that Kenyans basically want peace.

11. Madavo expressed his appreciation for the VP's openness. He hoped that the VP would be able to inform Bank Senior Management in September of progress resulting from the Review Committee's work.

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

Kenya

4/12
4pm

CORRESPONDENCE DATE : 90/04/06

DUE DATE : 00/00/00

LOG NUMBER : 900411014

FROM : Mr. Wackman (MAQ)

SUBJECT : Briefing, mtg. with Mr. Saitoti, VP & Minister of Finance, Kenya
on Thursday, April 12 at 4pm.

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

APPROVED

PLEASE HANDLE

FOR YOUR INFORMATION

FOR YOUR REVIEW AND RECOMMENDATION

FOR THE FILES

PLEASE DISCUSS WITH _____

PLEASE PREPARE RESPONSE FOR _____ SIGNATURE

AS WE DISCUSSED

RETURN TO _____

COMMENTS :

copied: MH/AK

THE WORLD BANK

ROUTING SLIP

DATE
4/11/90

OFFICE OF THE SENIOR VICE PRESIDENT, OPERATIONS

NAME

ROOM NO.

Mr. Conable

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

FROM

Moeen A. Qureshi

OFFICE MEMORANDUM

90040007 1-

DATE: April 6, 1990

TO: Mr. Moeen A. Qureshi, Senior Vice President, Operations

THROUGH: Mr. Paul Isenman, Vice President (Acting)

FROM: Harold A. Wackman, Director (Acting), AF2

EXTENSION: 34220

SUBJECT: Visit Of Kenya Delegation

I attach two copies of a brief on the visit of a high-level Kenya delegation led by the Vice President and Minister of Finance, Mr. George Saitoti. Mr. Saitoti and three members of his delegation will be your guests at a luncheon on April 12 (Thursday) at 1.00pm. If you find the brief satisfactory, you may wish to pass on one copy to the President for his meeting with the delegation on April 12 at 5:00 p.m.

Cleared with: K.Y. Amoako

cc: Messrs. Jaycox (o/r), AFRVP; Madavo (o/r), Lateef, Lethem, AF2DR;
Amoako (o/r), Muhsin AF2CO; Brown AF2IN; Mahar o/r,
Burnett AF2PH; Shivakumar AF2AG; Wackman AF2IE; Eigen RMEA

VISIT OF THE VICE PRESIDENT OF KENYA
BRIEFING NOTE

Background

1. This visit occurs during a period of some unease on both the political and economic fronts in Kenya. The murder of the highly regarded Foreign Minister, Dr. Ouko, in February, sparked demonstrations aimed at ensuring a complete investigation into the circumstances of his death. Although the Government acted quickly to dispel suspicion (Scotland Yard was invited to assist with the investigation) there were many rumours about a possible Government cover-up. In March, some prominent Kenyans who are known to oppose the Government, were detained for questioning about the spread of these rumours. Regarding economic developments, although Kenya has made considerable progress in its stabilization and adjustment efforts, the current balance of payments situation is fragile due mainly to low world coffee prices, the sluggish performance of tourism, high petroleum prices, and continued high import levels induced in part by a faster than planned rate of monetary expansion.

2. Against this background, the visit should be viewed as an attempt to reassure the Bretton Woods institutions of the Government's commitment to policy reforms, as reflected in the recently negotiated Policy Framework Paper (PFP) which is to be discussed by the Committee of the Whole on April 26. The delegation, therefore, is likely to present the Government's structural adjustment initiatives, and, in this light, request additional resources from the Bank Group and the IMF in an effort to reverse the deteriorating balance of payments.

Special Donors' Meeting

3. The negotiations of the PFP were preceded by a Special Donors' Meeting in London on January 26 under the auspices of the Special Program of Assistance for Africa (SPA). The meeting, which was chaired by the Bank, provided donors with the opportunity to review Kenya's performance under the previous Policy Framework Paper, and to identify issues that they wished to have addressed during the preparation of the current PFP. The donors, though generally complimentary about Kenya's relatively sound economic management, highlighted two main areas of concern: the need for substantial parastatal reform, and improvements to the quality of public investment programming. These concerns were triggered by press accounts that the Government was planning to guarantee substantial amounts of nonconcessional loans on commercial terms, including a loan for the construction of a 60-story office building, hotel and convention center complex for \$155 million.

4. The overall assessment of the meeting by those who participated was extremely positive. A Government delegation which addressed the meeting, revealed that the 60-story tower would not proceed, and that the construction of a hotel and convention center would be subject to a thorough feasibility study which would be shared with donors. Thus the meeting appears to have strengthened the hands of the economic managers by introducing economic and financial criteria in the selection of investments. Also, the donors welcomed the opportunity for a frank and informal exchange of views. Finally, the concern of the donors for

improvements to public sector investment programming, were ultimately reflected in the PFP, which calls for a joint Government/Bank review of the investment program for the Government's FY92 budget.

Bank's Country Assistance Strategy

5. The Bank's strategy for Kenya aims to support the Government in its attempts to deepen and widen structural adjustment reforms. Special attention is to be given to supporting private sector development, reducing the role of the public sector, and creating the basis for long-term equitable development, while reducing the proportion of quick disbursing assistance over the next few years (from the present level of 50%). The size of our Kenya lending program, which will average roughly \$240 million per annum from FY91 through FY93, is justified on the strength of Kenya's improved performance in terms of short-term macroeconomic management and sectoral adjustment reforms (recognition of this performance was reflected in the recent elevation of Kenya's IDA performance rating from 3+ to 4- during IDA's last rating exercise). As detailed in the Business Plan, this level of support is predicated upon a base case scenario which envisages deepening reforms in agriculture, export development, industrial and financial restructuring, and broadening the adjustment process by extending policy-based lending to health and education.

Issues Likely to be Raised by the Delegation

6. Bank Group Assistance. The delegation is likely to press for increased levels of IDA lending to Kenya and, more importantly, higher levels of quick disbursing aid, by highlighting the success of its demand management and structural adjustment efforts. The Government will also like to see an enhancement of IFC's activities.

7. Recommended Bank Position. The Bank welcomes and supports the Government's attempts to deepen and widen structural adjustment reforms. However, in order to contemplate an increase in our lending program, the Government will have to agree to undertake the reforms necessary to move Kenya from the Base Case to the High Case scenario detailed in the Business Plan for FY91 through FY93. That is, there will have to be a willingness to accelerate the implementation of policy reforms in those areas already earmarked for action, as well as in those areas not yet covered by ongoing and planned adjustment operations. Ultimately, the volume of Bank and donor assistance will be commensurate with the breadth and depth of reform measures that the Government is prepared to implement.

8. One example of an area requiring vigorous efforts is that of improving the efficiency and productivity of the public sector. This would necessarily entail bold and accelerated action in such areas as public service employment, rationalization of the public investment program, and Government divestiture from production and service activities better suited for the private sector. In other words, the accelerated adoption of a fiscal stance that would be more deliberately geared towards supporting private sector initiative.

9. Export Promotion Program. IDA is preparing an Export Promotion Program which will support policy and institutional reforms, as well as the infrastructure required to promote non-traditional exports. The delegation is likely to request a relaxation of the associated policy conditions currently being discussed.

10. Recommended Bank Position. The Bank's Operation Committee has not yet reviewed the operation; however, we expect that the program will be held to the same standards applicable to operations of this kind.

Issues to be Raised by the Bank

11. Population and the Environment. The efforts of the Government in these areas should be acknowledged. After years of stagnation, the population program has begun to show dramatic results. The total fertility rate has dropped and the contraceptive prevalence rate has increased. Indeed, contraceptive use has risen by 50% in the past five years. Demand for contraceptives continues to grow steadily, and further improvements in the contraceptive prevalence rate are forecasted for the medium term.

12. Concerning the environment, the Government has adopted a very strong stand with regards to the protection of Kenya's wildlife, and with the assistance of the Bank and other donors, is preparing a comprehensive policy and action plan which would seek to ensure the survival of Kenya's endangered wildlife.

KENYA DELEGATION

Hon. Prof. George Saitoti	-	Vice President and Minister of Finance
Mr. C.S. Mbindyo	-	Permanent Secretary, Office of the Vice President and Minister of Finance
Mrs. M. Githinji	-	Permanent Secretary, Ministry of Commerce
Dr. W. Koinange	-	Permanent Secretary, Ministry of Industry
Mr. E. Kotut	-	Governor, Central Bank of Kenya
Prof. T.C. Ryan	-	Economic Secretary, Office of the Vice President and Minister of Finance
Mr. J. Kanga	-	Director of Research, Central Bank of Kenya
Dr. S. Chakrabarti	-	Advisor
H.E. Denis D. Afande	-	Ambassador of Kenya
Mr. Richard Okwaro	-	Counsellor, Kenya Embassy
Mr. Mwambia Kanyanjua	-	First Secretary (Economic), Kenya Embassy

INTERNATIONAL MONETARY FUND
THE WORLD BANK

Washington, D.C. 20431

August 29, 1990

His Excellency George Saitoti
Vice President & Minister of Finance
Ministry of Finance, P.O. Box 30007
Treasury Building, Harambee Avenue
Nairobi, Kenya

Dear Mr. Chairman:

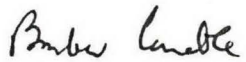
As you have been informed by the Secretaries, the recommendations of the 1990 Joint Committee on the remuneration and benefits of Executive Directors and Alternates have been approved by an overwhelming majority of Governors in both our institutions.

This encouraging outcome completes the process of correction in Executive Directors' remuneration that had been identified as increasingly urgent by previous Committees and that indeed had already been started by the 1989 Joint Committee. As a result, both external and internal relativities, while perhaps not yet ideal, have been restored to more acceptable levels.

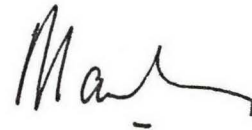
We are keenly aware of the role that the Joint Committee on Remuneration has played in bringing about this result, under your outstanding leadership. We would therefore like to express our personal gratitude for your efforts.

We look forward to working together with you to make the 1990 Annual Meetings productive.

Sincerely yours,



Barber B. Conable
President
World Bank Group



Michel Camdessus
Managing Director
International Monetary Fund

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

(Kenya trip) ~~AH~~

file - Kenya

CORRESPONDENCE DATE : 89/10/31 DUE DATE : 00/00/00
LOG NUMBER : 891102001 FROM : Mr. Madavo (MAQ)
SUBJECT : BRIEFING: Mr. Conable's Stopover in Nairobi, Kenya.

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

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____ PLEASE HANDLE
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____ FOR YOUR REVIEW AND RECOMMENDATION
____ FOR THE FILES
____ PLEASE DISCUSS WITH _____
____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
____ AS WE DISCUSSED
____ RETURN TO _____

COMMENTS :cc: Mrs. Haug, Linda (trip file), AK

OFFICE MEMORANDUM

DATE: October 31, 1989

TO: Mr. Moolen A. Qureshi, Sr. Vice-President, OPNSV *MQ*

FROM: Callisto E. Madavo, Director, AF2DR *CEM*

EXTENSION: 34036

SUBJECT: KENYA - Mr. Conable's Stopover in Nairobi

During his forthcoming travels in the Region, the President will be spending the night of 12 November 1989 in Nairobi to depart the following afternoon, 13 November 1989 to Zimbabwe. On 13 November the President is scheduled to make a brief courtesy call on President Moi. The attached briefing notes are intended to facilitate discussion and I would appreciate your transmitting them to Mr. Conable.

Attachment

cc: Messrs. Sandstrom, Amoako, Eigen, Bannon

DHatendi:ejm

KENYA

Talking Points for Mr. Conable's Meeting with President Moi

1. Your discussion during the Annual Meetings with Vice-President and Minister for Finance, Professor George Saitoti, covered the main issues concerning the Bank's operations in Kenya (Brief attached). The most important and positive development since the Annual Meetings was the release of the second tranche (US\$46.2 million) of the Bank's Industrial Sector Adjustment Credit (ISAC). This is further evidence that the Government is proceeding satisfactorily with the implementation of its adjustment programs. You could commend the President for the Government's performance in pursuing the structural adjustment program which now covers the agriculture, industry and financial sectors.

2. In recent months President Moi has made bold and encouraging statements regarding the Government's commitment to address the longer-term constraints to Kenya growth and development. The areas specifically referred to are:

- (i) family planning;
- (ii) environment and wildlife protection;
- (iii) education and health services; and
- (iv) employment generation.

It would be appropriate to commend and encourage the President for his leadership in addressing these important matters. It would also be appropriate to indicate to the President the Bank's commitment to assist Kenya and other countries in Africa in dealing with these longer-term constraints to development. You could point to the Long-term Perspective Study as well as the Bank-supported operations being prepared for family planning, health, and education. Analytical work is being carried out with Bank support in the areas of environmental and wildlife management. One important objective is to determine the most effective means of utilizing Bank resources.

KENYA
ANNUAL MEETINGS BRIEF

Talking Points for Mr. Conable

Population. Efforts to slow population growth have been underway since 1987 in Kenya. After years of stagnation the population program has begun to show dramatic results. The total fertility rate has dropped from 7.7 in 1984 to an estimated 6.7 at present, and the contraceptive prevalence rate has increased to 27 percent. Contraceptive use has increased by 50 percent in the past five years. Demand for contraceptive continues to grow steadily and it is likely that there will still be further increases in the contraceptive prevalence rate in the medium term. It is recommended that these developments be noted and the efforts of the Government be acknowledged. The Bank is now preparing a Fourth Population Project to be submitted to the Board this fiscal year.

The Budget Deficit. Since the March PFP discussions held with the Kenyan delegation in Washington, the Government has indicated it may want to raise the FY89/90 budget deficit target from that agreed in the PFP in order to accommodate KL 73.35 million in projects funded by external concessional assistance. The additional funds would raise the budget deficit from the agreed 4.2 percent of GDP to about 5 percent. The Government argues that since the entire amount will be funded from external sources, it will not affect domestic financing of the deficit and will therefore not exacerbate domestic liquidity pressures. It should be pointed out that ensuring an appropriate macroeconomic environment is essential for the Bank to continue to support Kenya's structural adjustment efforts through policy-based lending. The Government must also be able to show in can live up to its commitments, in this case, those agreed under the current PFP. In particular, the recent Financial Sector Adjustment Credit was approved on the basis of Government's commitment to fiscal targets agreed upon as part of the second-year PFP.

Export Promotion. The Government has requested Bank assistance with construction of an Export Processing Zone (EPZ) near Nairobi. The Bank has responded by providing an SPPF facility to carry out a feasibility study. Management should emphasize it needs to be satisfied of the EPZ's economic and financial feasibility. Furthermore, it is important that the Government understand that if the EPZ is found to be viable, the Bank's involvement would have to be in the context of a policy framework that sees EPZs not as an end in themselves, but as an interim step toward broader export promotion efforts. It is therefore important to emphasize that the Bank will need to broaden its dialogue to cover more comprehensive export promotion strategies and policies. Recent trends in commodity markets particularly the decline in coffee prices and the impact on the balance of payments underscore the need to focus on more aggressive export promotion efforts. A Bank mission will be visiting Kenya around 20th November 1989 to continue discussions with the Government.

Wildlife/Environment. Recent security problems related to wildlife have highlighted the need to safeguard this valuable resource, both in terms of its contribution to tourism revenues (currently Kenya's principal foreign exchange source) and in terms of broader environmental management efforts. In recent months Bank staff have discussed with concerned Government officials possible areas of support for Kenya's wildlife sector. Management should note and welcome recent statements by President Moi, both in Kenya and abroad, which call for renewed attention to a broad range of environmental issues. The Bank supports these concerns and is exploring with Government possible collaboration to address Kenya's serious environmental problems. To this end the Bank has since the Annual meetings, extended a SPPF to Kenya.

~~AMH~~

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/08/31 DUE DATE : 00/00/00
LOG NUMBER : 890905002 FROM : M. Gillette
SUBJECT : KENYA: Positive Developments in the Kenya Population Program.

OFFICE ASSIGNED TO FOR ACTION : (2) Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO (3) CP _____

COMMENTS :

OFFICE MEMORANDUM

DATE: August 31, 1989

TO: Mr. Barber B. Conable, EXC

FROM: Michael J. Gillette, Acting AFRVP

EXTENSION: 35040

SUBJECT: KENYA: Positive Developments in the Kenya Population Program

In accordance with Mr. Qureshi's request I am attaching a note on recent positive developments in Kenya's population program for your information.

cc: Messrs. M.A. Qureshi, OPNSVP (o/r) (w/o attachments)
E.V.K. Jaycox, AFRVP (o/r) "
C. Madavo, AF2DR (o/r) "
F. Lethem, AF2DR "
D. Mahar, AF2PH "

Attachment
VJagdish/bp

THE WORLD BANK

August 28, 1989

Mr. Mahar:

I am very encouraged to see this report. We must see what we can do to follow up on the need for supplementary financing. What next steps do we contemplate in population planning and programming in Kenya ?

Please send a copy of your note to Mr. Conable for his information.

cc: Mr. Jaycox

MOEEN A. QURESHI
Senior Vice President, Operations

OFFICE MEMORANDUM

DATE: August 21, 1989

TO: Mr. M. A. Qureshi, OPNSV

FROM: Dennis Mahar, Chief, AF2PH

EXTENSION: 34170

SUBJECT: KENYA: Population Program

Further to our conversation about the Kenya Population Program, I attach a copy of a memorandum from Mr. C. Madavo to Mr. E. Jaycox on the subject.

cc: Mr. C. Madavo, AF2DR (o/r)

890823001
①
cc: Mr. Lee

Mr. Mahar.
c.c. Mr. Jaycox.
I am very encouraged to see this report. We must see what we can do to follow up on the need for supplementary financing. What next steps do we contemplate in population planning and programming in Kenya. Please send a ^{note} copy of your ~~report~~ to Mr. Canale for his info.

DMS.
8/26

OFFICE MEMORANDUM

DATE: July 31, 1989

TO: Messrs/Mmes. F. Sai, I. Husain, S. Choi, D. Hatendi and S. Denning

FROM: Vulimiri Jagdish, AF2PH

EXTENSION: 34164

SUBJECT: KENYA: Population Program

A meeting, chaired by Mr. C. Madavo, will be held on Tuesday, August 1, 1989 at 10:00 a.m. in Room J-9-280 to discuss recent development in Kenya's Population Program and how the Bank can respond to them. Attached is a memo from Mr. Mahar to Mr. Madavo on the subject and a copy of the 1989 DHS results.

Attachment

cc: Messrs. Madavo, Mahar

OFFICE MEMORANDUM

DATE: July 28, 1989

DECLASSIFIED

TO: Mr. Callisto E. Madavo, Director, AF2

FEB 07 2022

FROM: Dennis Mahaf, Chief, AF2PH

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EXTENSION: 34170

SUBJECT: KENYA: Recent Developments in Kenya's Population Program

1. Preliminary results from the 1989 Demographic and Health Survey (DHS) are now available and have been made available to the Bank on a confidential basis. These results corroborate the findings of recent supervision missions that there have been significant breakthroughs in Kenya's population program.

2. Field work for the DHS was carried out between February and May 1989 and the data were analyzed in June 1989. A preliminary report has been prepared and a final report is due by September 1989. DHS results show that the total fertility rate (TFR) for the five year period prior to the survey is 6.7. The TFR of 6.7 represents a substantial decline in fertility from the rate of 7.7 recorded in the 1984 Kenya Contraceptive Prevalence Surveys (KCPS). Despite this decline, Kenya's fertility is still higher than some other African countries. DHS surveys in other African countries give the fertility total fertility rates; Uganda 7.3; Ghana 6.4; Zimbabwe 5.7; and Botswana 5.0.

3. 27% of married women are currently using some method of contraception. Nearly two-thirds of these are modern methods. Contraceptive use in Kenya has increased by 50% in the five years since the 1984 KCPS. The use of modern methods has almost doubled. Even more interesting than this remarkable rise in the Contraceptive Prevalence Rate is the desire to limit childbearing. Nearly 52% of married women in Kenya want no more children. This is considerably higher than other sub-saharan countries where DHSs have been conducted (38% in Botswana. 33% in Zimbabwe and only 23% in Ghana and Uganda).

4. The demand for contraceptives has been rising steadily. The use of injectables has increased from 300,000 doses in 1986 to 1 million doses in 1989. Pill usage has increased from 1.2 million cycles in 1986 to 3.2 million cycles at present. Condom usage has more than doubled from 5 million pieces in 1987 to 11 million pieces in 1988. (In the case of condoms however it is difficult to separate those which are AIDS related). The number of surgical contraception procedures has also dramatically risen from less than 100 in 1982 to over 9000 in 1987. Annex 1 presents the total number of procedures from 1982 to 1987 supported by USAID. The actual national figures are estimates to be about 25% higher.

5. The Bank and other donors have responded to the rapidly increasing demand in a number of ways. USAID has provided support for surgical contraception through the Association for Voluntary Surgical Contraception. IDA is also financing the construction of 24 surgical contraception clinics at district hospitals through Population Projects II and III. SIDA has made available oral contraceptives and USAID is supplying condoms. Injectables, previously supplied by UNFPA, have recently been obtained through the IDA projects.

6. Demand for contraceptives is continuing to grow rapidly. In particular injectables are in heavy demand. IDA had authorized the purchase of 800,000 doses of Depo-provera in September 1988. In June 1989 only 67,000 doses were left in the medical stores. A further request for 1 million doses has been received. The table below gives the preliminary requirements for contraceptives for the next 5 years. These requirements will be revised following finalization of the DHS results and are likely to increase upwards.

Contraceptive Requirements

Year	pills (millions)	IUCDS (thousands)	Condoms (millions)	Injectables
1988/89	3.2	80	11	800,000
1989/90	3.8	100	12	1.4 million
1990/91	4.4	120	24	1.8 million
1991/92	5.0	140	26	2.0 million
1992/93	5.2	160	28	2.2 million
1993/94	5.5	180	30	2.4 million

7. During the recent supervision mission meetings were held with other donors to determine what additional commitments would be forthcoming. It appears that all additional contraceptive requirements, except for injectables, are likely to be financed by other donors. In the case of injectables however, USAID is, by law unable to finance them. Other donors are also unable to finance injectables. IDA has provided injectables through the ongoing population projects but is unlikely to be able to divert any more funds. Injectables are a critical element of the method mix of any population program. In Kenya demand for injectables has been growing rapidly. They are easy to administer (1 injection lasts for 3 months) and are relatively free of side effects. Injectables are particularly popular with women from the muslim community and the most rapid increase in the numbers of acceptors is being seen in Coast Province.

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8. In order to not to lose the momentum there is an urgent need for additional funds. The country team discussed the implications of these results and felt that since there were discreet areas where we could have significant impact we should request for supplementary financing for Population Project III. We estimate that about US\$10.0 million would be needed during Population III for contraceptives.

cc: Messrs. D. Hatendi, K.Y. Amoako

VJagdish/ral

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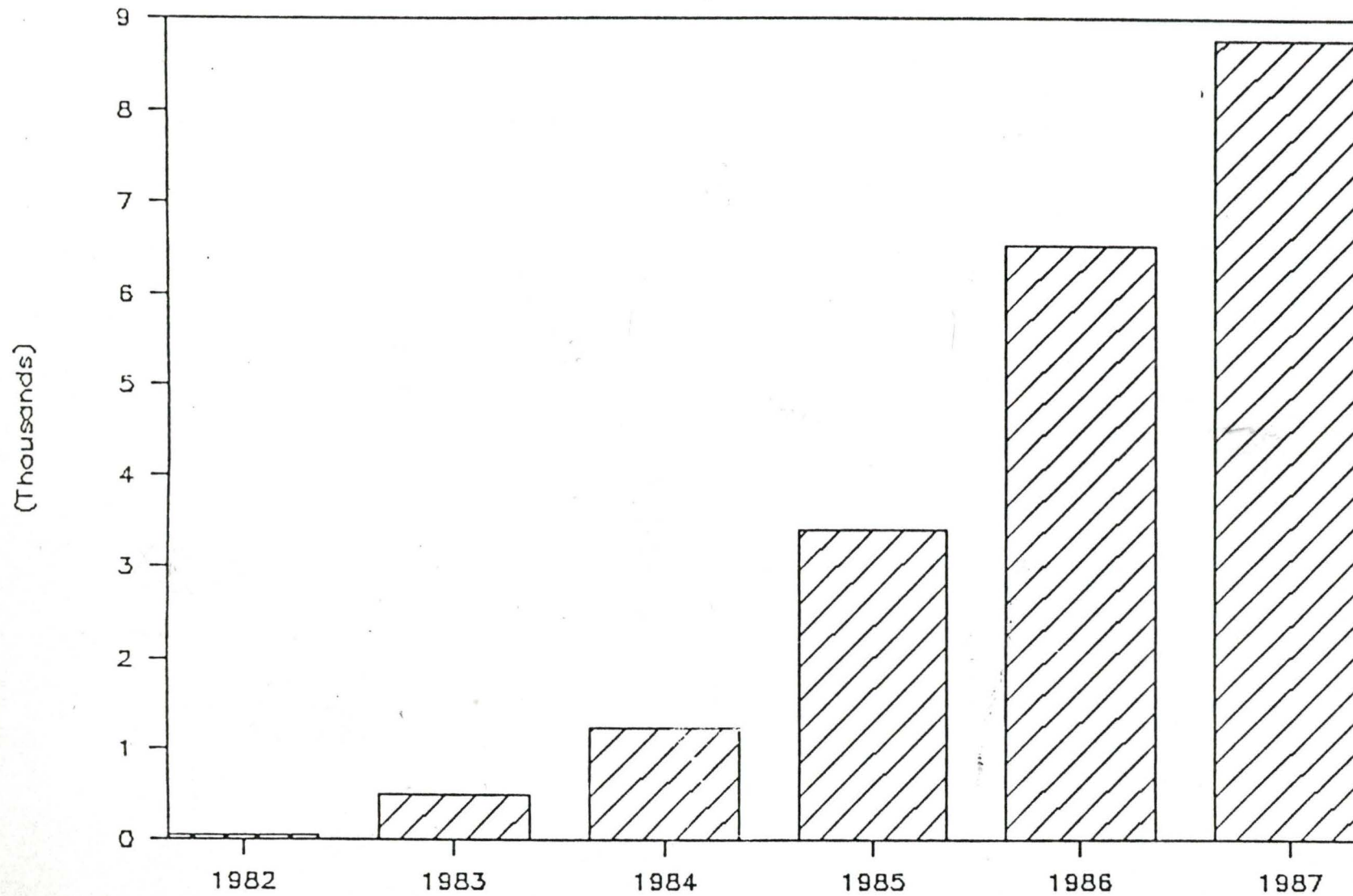
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TOTAL VSC PROCEDURES SUPPORTED BY AVSC/USAID PROJECT:
KENYA; 1982-1987



Kenya
Demographic and Health Survey
1989

Preliminary Report

National Council for Population and Development
Ministry of Home Affairs

Demographic and Health Surveys Program
Institute for Resource Development

June, 1989

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The results presented in this report are preliminary and should not be cited.

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FEB 07 2022

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I. BACKGROUND

A. Introduction

The Kenya Demographic and Health Survey (KDHS) was conducted by the National Council for Population and Development (NCPD), with assistance from the Central Bureau of Statistics (CBS). The U.S. Agency for International Development (USAID) provided financial assistance for the survey, partly through its contract with the Demographic and Health Surveys Programme at the Institute for Resource Development (IRD), which also provided technical assistance for the project.

This report is designed to provide preliminary results for some of the principal topics covered in the KDHS. A fuller presentation of the results will appear in the main survey report which is expected to be published before the end of the year. Final results may differ slightly from those presented here. Such differences are expected to be minimal; nevertheless, readers are urged to view the results in this report with caution.

B. Objectives of the Survey

The KDHS is the third in a series of similar surveys that include the Kenya Fertility Survey in 1977/78 and the Kenya Contraceptive Prevalence Survey in 1984. As such, it reflects Kenya's continuing desire to monitor its progress in meeting its health and family planning targets. The primary objective of the KDHS is to provide information on fertility; awareness, approval and use of family planning methods; and basic indicators of maternal and child health. The survey results are expected to be used by programme administrators and policymakers to assist them in making informed decisions.

C. Questionnaires

Three questionnaires were used for the KDHS: the Household Questionnaire, the Individual Woman's Questionnaire and the Husband's Questionnaire. The Household and Woman's questionnaires were adapted from the DHS Model "B" Questionnaire, intended for use in countries with low contraceptive prevalence.

The Household Questionnaire was used to list all usual members and any visitors in the selected households, together with information on their age and sex, as well as information on fostering for children under age 15. The major purpose of the Household Questionnaire was to identify those women and husbands who were eligible for individual interviews.

The Woman's Questionnaire was used to collect data for individual eligible women, namely those who were 15-49 years of age and who spent the night prior to the interview in the selected household, regardless of whether they were usual members of the

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household or temporary visitors. The Woman's Questionnaire collected information on the following topics:

- Respondent's background
- Reproductive history
- Knowledge and use of family planning methods
- Maternal and child health and breastfeeding
- Marriage
- Fertility preferences
- Husband's background and women's work.

The Husband's Questionnaire was used to collect data on eligible husbands, who were defined as those husbands whose wives had been successfully interviewed and who had themselves spent the previous night in the household. Since only a sub-sample of husbands was desired, every other sampled household was identified as eligible for the husband's interview. The Husband's Questionnaire included questions on the respondent's background, contraceptive knowledge and use, and fertility preferences.

All three questionnaires in the KDHS were translated into Kiswahili and eight local languages: Kalenjin, Kamba, Kikuyu, Kisii, Luhya, Luo, Meru, and Mijikenda.

D. Sample Design and Implementation

The sample for the KDHS is based on the National Sample Survey and Evaluation Programme (NASSEP) master sample maintained by the CBS. The KDHS sample is national in coverage, with the exclusion of Northeastern Province and four other northern districts which together account for only about five percent of Kenya's population. The KDHS sample was designed to produce completed interviews with 7,500 women aged 15-49 and with a subsample of 1,000 husbands of these women.

The NASSEP sample is a two-stage design, stratified by urban-rural residence, and within the rural stratum, by individual district. In the first stage, 1979 census enumeration areas (EAs) were selected with probability proportional to size. The selected EAs were then segmented into the expected number of standard-sized clusters, one of which was selected at random to form the NASSEP cluster. The selected clusters were then mapped and listed by CBS fieldstaff. In rural areas, household listings made in 1984/85 were used to select the KDHS households, while KDHS pretest staff were used to relist households in the selected urban clusters.

Despite the emphasis on obtaining district-level data for planning purposes, it was decided that reliable estimates could not be produced from the KDHS for all 32 districts in NASSEP, unless the sample size were expanded to an unmanageable size. However, it was felt that reliable estimates of certain variables could be produced for the rural areas

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in 13 districts that have been initially targetted by the NCPD; namely, Kilifi, Machakos, Me.u, Nyeri, Murang'a, Kirinyaga, Kericho, Uasin Gishu, South Nyanza, Kisii, Siaya, Kakamega, and Bungoma. Thus, all 24 rural clusters in the NASSEP were selected for inclusion in the KDHS sample in these 13 districts. In total, about 450 households were selected in each of these districts, just over 1000 rural households in other districts, and over 3000 households in urban areas.

Sample weights were used to compensate for the unequal probability of selection between strata. The weighted totals are used throughout the remainder of this report.

E. Training and Fieldwork

The KDHS questionnaires were pretested in July/August, 1988. Nineteen women and 10 men were trained for 17 days, after which they conducted about 200 interviews with women and about 100 with husbands in various parts of the country during the pretest.

Training for the main fieldwork was held for three weeks in Machakos in October/November, 1988. Altogether, there were 81 participants, about 25 of whom had participated in the pretest. NCPD and IRD staff were primarily responsible for conducting the training. In addition, CBS staff conducted several sessions and a representative from the Ministry of Health's Family Health Division presented a lecture on human reproduction and contraceptive methods.

At the end of the course, certain trainees were selected to act as team supervisors and field editors. Most of those selected had participated in the pretest. In all, 44 female interviewers, 9 male interviewers, 9 supervisors, 9 field editors, and 9 drivers participated in the fieldwork, and 9 were identified as data processing staff. Several teams started fieldwork on 1 December, 1988, but due to transport problems, all teams were not launched until early February, 1989. Fieldwork was completed on 31 May, 1989.

F. Data Processing

Completed questionnaires were delivered to NCPD regularly. Coding, data entry and machine editing went on concurrently at the NCPD data processing room as the fieldwork progressed. Three desktop microcomputers and the DHS program, ISSA, were used to process the KDHS data. Both coding and data entry, which were started in early February, were completed by mid-June, 1989. The tabulations for this preliminary report were produced two weeks after the last interview took place.

Over 8000 households were interviewed in the KDHS. Within these households, 7130 eligible women and 1133 husbands were interviewed. The response rates were 97 percent for households and 96 percent among eligible women.

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II. RESULTS

A. Characteristics of the Respondents

The distributions of all women and currently married women in the KDHS sample by selected background characteristics are shown in Table 1. Two-thirds of the women are currently married or living with a man, while one-third either said they had never been married or lived with a man or that they were formerly in a union. Fifty-eight percent of the women are under the age of 30, 18 percent live in urban areas and 47 percent have completed primary education or higher.

B. Fertility and Reproductive Intentions

All female respondents in the KDHS were asked to report the total number of sons and daughters they had given birth to during their lives. They were also asked to provide a complete birth history, giving the date of birth, sex, and survival status of each child.

Table 2 shows that the level of fertility in Kenya is high. Women in their early twenties have had an average of more than one and a half births each. This increases rapidly to 3.5 births each among women in their late twenties and to 6.5 children for women in their late thirties. By the time they reach the end of their childbearing years (age 45-49), women have had, on average, 7.7 live births.

Of the average of 3.7 children born to women age 15-49, 3.3 were still alive at the time of the survey. Thus, approximately 11 percent of children born to these women had died before the survey. The proportion of children who died generally increases with each successive age group of women, which reflects both the longer average exposure to the chance of dying for children of older women as well as the decline over time in infant and childhood mortality rates.

The total fertility rate (TFR) for the five-year period prior to the survey is 6.7, which represents the total number of births a woman would have by the time she reached age 50 if she had children at the same rate as women are currently having at each age group. The TFR of 6.7 represents a substantial decline in fertility from the rate of 7.7 recorded in the 1984 Kenya Contraceptive Prevalence Survey (KCPS). The latter survey showed some slight evidence of a decline, however, the KDHS data are the first evidence of a major decline in fertility. Some of this decline may be due to differences in the methods used to measure fertility in the two surveys, however, the decline is consistent with the increase in the use of family planning in Kenya (see next section).

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Table 1. Percent Distribution of All Women and Currently Married Women by Selected Background Characteristics, Kenya, 1989

Background characteristic	All Women			Currently Married Women		
	Per-cent	Wtd. no.	Unwtd. no.	Per-cent	Wtd. no.	Unwtd. no.
Age						
15-19	21.0	1481	1496	5.9	300	279
20-24	18.5	1394	1322	17.4	875	829
25-29	18.7	1352	1333	23.3	1122	1106
30-34	13.8	1012	987	17.6	857	839
35-39	12.5	827	889	16.3	718	773
40-44	9.3	641	664	11.9	539	565
45-49	6.2	422	440	7.7	349	364
No. of Living Children						
0-2 Children	47.2	3494	3362	29.6	1526	1405
3-4 Children	20.6	1492	1470	27.0	1307	1285
5+ Children	32.2	2143	2298	43.4	1927	2064
Residence						
Urban	17.8	1914	1269	16.1	1157	767
Rural	82.2	5215	5861	83.9	3603	3987
Province						
Nairobi	8.0	858	569	7.2	518	343
Central	15.7	1277	1121	13.7	785	653
Coast	6.9	719	490	7.2	528	344
Eastern	17.5	898	1249	16.6	561	791
Nyanza	17.5	1265	1248	18.8	895	894
Rift Valley	20.5	1100	1460	21.1	742	1005
Western	13.9	1012	993	15.2	731	724
Education						
No education	24.9	1699	1776	31.3	1435	1489
Primary incomp.	27.7	1881	1973	30.7	1388	1460
Primary complete	26.8	1935	1913	20.8	1023	990
Secondary/higher	20.5	1604	1459	17.0	908	809
Missing	0.1	10	9	0.1	6	6
Religion						
Catholic	34.5	2375	2460	34.6	1577	1643
Protestant	57.7	4070	4117	57.1	2665	2714
Muslim	3.5	317	249	3.4	213	163
Other	1.6	104	113	1.6	77	78
No religion	2.5	253	179	3.1	221	147
Missing	0.2	10	12	0.2	7	9
Total	100.0	7129	7130	100.0	4760	4755

Despite this decline, Kenya's fertility is still higher than many other African countries. DHS surveys in other African countries give the following total fertility rates: Uganda, 7.3; Ghana, 6.4; Zimbabwe, 5.7; and Botswana, 5.0.

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Age-specific fertility rates for the five years prior to the survey are also shown in Table 2. The rate increases from 153 births per 1000 women in the youngest age group to around 300 for women age 20-29 and then decreases steadily to 37 for women 45-49.

Table 2. For All Women, the Mean Number of Children Ever Born and Surviving, the Proportion Dead, and Age-Specific Fertility Rates for Five Years Preceding the Survey, by Maternal Age, Kenya, 1989

Age	Children ever born	Children surviving	Proportion dead	Fertility rates	Number of women
15-19	0.29	0.25	.122	0.153	1495
20-24	1.58	1.44	.089	0.315	1322
25-29	3.48	3.19	.083	0.301	1333
30-34	5.03	4.51	.103	0.255	987
35-39	6.47	5.80	.104	0.184	889
40-44	7.37	6.51	.117	0.098	664
45-49	7.67	6.58	.142	0.037	440
Total	3.67	3.28	.106	6.707	7130

Fertility intentions were investigated by asking women if they want to have another child and, if so, how soon. Table 3 shows the percent distribution of currently married women according to their desires to limit family size or space births. Fifty-two percent of women report that they want no more children and 26 percent say they want another child, but only after two or more years. Thus, three out of four currently married women can be considered potential users of contraception for the purpose of either limiting their family size or spacing births.

Table 3. Percent Distribution of Currently Married Women by Desire for Children, According to Age, Kenya, 1989

Age	Want no more children	Want more later*	Want more soon**	Undecided***	Missing	Total	Number of women
15-19	9.3	53.8	25.8	3.3	7.8	100.0	279
20-24	18.5	55.1	15.7	6.1	4.6	100.0	829
25-29	40.1	35.2	14.4	7.0	3.3	100.0	1106
30-34	58.8	17.5	12.7	8.4	2.6	100.0	839
35-39	71.0	11.6	8.8	6.4	2.1	100.0	773
40-44	84.4	2.0	6.7	4.7	2.1	100.0	565
45-49	90.1	0.9	6.3	1.0	1.7	100.0	364
Total	52.0	26.2	12.6	6.1	3.2	100.0	4755

* Want a child after 2 or more years

** Want a child within next 2 years

*** Undecided either about whether or when to have next child

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The desire to limit childbearing appears to be considerably higher in Kenya than in many other sub-Saharan countries where DHSs have been conducted. For example, the proportion of married women who want no more children is 38 percent in Botswana, 33 percent in Zimbabwe, and only 23 percent in Ghana and Uganda, as compared to 52 percent in Kenya. The desire to stop childbearing, as expected, increases with the age of the woman, with 90 percent of women 45-49 wanting no more. These results suggest that many women in Kenya would favour permanent methods of family planning such as sterilization.

C. Family Planning Knowledge and Use

Knowledge of at least some method of family planning is almost universal among Kenyan women. The KDHS results show that 90 percent of women in Kenya have heard of at least one method of contraception (Table 4). Knowledge of methods is slightly higher among currently married women than for all women. Women are most likely to have heard of the pill, followed by injections, female sterilization, and the IUD. Almost all women who have heard of a method also know a source for obtaining the method.

Table 4. Percentage of All Women and Currently Married Women Who Know Contraceptive Methods, Who Know a Source for Methods, Who Have Ever Used Methods and Who Are Currently Using Methods, by Method, Kenya, 1989

Contraceptive method	Percent who know method		Percent who know source		Percent ever using method		Percent currently using	
	All	CM	All	CM	All	CM	All	CM
Any Method	90.1	92.6	87.9	90.9	39.1	45.0	23.0	26.7
Any Modern Method	88.5	91.4	86.7	90.0	24.2	29.0	14.6	17.8
Pill	84.5	88.6	81.7	86.4	15.2	18.0	4.6	5.2
IUD	62.2	67.2	60.1	65.3	6.8	8.4	3.0	3.7
Injections	76.5	82.1	74.4	80.1	5.5	6.7	2.6	3.3
Diaphragm/Foam/Jelly	24.6	27.0	23.4	25.7	1.8	2.1	0.3	0.4
Condom	53.6	56.0	49.4	52.0	3.6	4.4	0.4	0.5
Female Sterilization	68.4	72.8	66.1	70.9	3.8	4.9	3.5	4.7
Male Sterilization	19.8	21.8	19.1	21.3	0.1	0.1	0.0	0.0
Any Trad. Method	54.7	55.8	41.2	42.6	21.8	24.1	8.4	8.9
Periodic Abstinence	50.7	50.9	41.2	42.6	19.3	20.9	7.0	7.4
Withdrawal	16.9	18.3	0.0	0.0	2.4	3.0	0.2	0.2
Other methods	5.0	6.2	0.0	0.0	2.6	3.1	1.3	1.3

All = all women (Number = 7130)

CM = women currently in a marital union (number = 4755)

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Almost 40 percent of all women and 45 percent of currently married women have used a contraceptive method at some time. Most of these women have used either periodic abstinence or the pill.

Twenty-seven percent of married women are currently using some method of contraception, two-thirds of which are modern methods. The most widely used method is periodic abstinence (9 percent), followed by the pill (5 percent) and female sterilization (5 percent).

Contraceptive use in Kenya has increased by 50 percent in the five years since the 1984 KCPS, while use of modern methods has almost doubled. Undoubtedly, this increase in contraceptive use has played a role in the fertility decline noted above.

Table 5 shows the percent of married women currently using contraception by several background characteristics. Women age 30 or over are more likely to use contraception than younger women. They are also more likely than younger women to use more effective, long-term methods such as sterilization, IUD and injection, and less likely to use temporary methods such as the pill and periodic abstinence. A similar pattern is seen with regard to method use by number of living children.

Urban-rural differentials in level of contraceptive use are not large, with 31 percent of urban women using a method, compared to 26 percent of rural women. Not only are urban women more likely to use a method than rural women, but a greater proportion of urban users rely on modern methods than rural users. While urban women are more likely to use the pill and the IUD, rural women are more likely to use periodic abstinence, female sterilization and injections.

There are large differentials in contraceptive use by province. Although Eastern Province shows the highest level with 40 percent of married women currently using, almost half of these users are reportedly using periodic abstinence. Central Province, Nairobi, and Rift Valley Province also show high levels of contraceptive use of about 30 percent or more, while Western (14), Nyanza (14) and Coast (18) Provinces have much lower levels. Until more thorough checking of the data can be carried out, readers should view these results with caution.

Differentials in contraceptive use by education are also significant. The proportion of women with some secondary education who are using contraception (41 percent) is more than twice that of women with no education (18 percent). Catholic women are only slightly less likely than Protestant women to be using a method, although a greater proportion of the former rely on periodic abstinence. Muslim women and those who report no religion are considerably less likely to be using contraception than their Christian counterparts.

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Table 5. Percentage of Currently Married Women Who Are Currently Using A Contraceptive Method, by Method, According to Selected Background Characteristics, Kenya, 1989

Background characteristic	Any method	Pill	IUD	In-jec-tion	Diaph-ragm/foam	Con-dom	Female steril-ization	Per-iodic abstin-ence	With-draw-al	Other	Not us-ing	Total	No. of women
Age													
<30	22.2	6.8	2.7	2.2	0.1	0.8	0.9	7.6	0.3	0.8	77.8	100.0	2213
30+	30.7	3.7	4.6	4.3	0.7	0.2	8.0	7.3	0.2	1.7	69.3	100.0	2541
Living Children													
0-2 Children	17.4	5.0	2.6	1.0	0.1	0.7	0.9	6.6	0.1	0.5	82.6	100.0	1405
3-4 Children	29.8	7.9	4.8	3.9	0.2	0.5	3.1	7.9	0.5	1.0	70.2	100.0	1285
5+ Children	31.2	3.6	3.9	4.5	0.8	0.3	8.3	7.6	0.2	2.0	68.8	100.0	2064
Residence													
Urban	30.6	9.9	8.0	2.8	0.5	0.8	3.6	4.0	0.4	0.6	69.4	100.0	767
Rural	26.0	4.3	2.9	3.4	0.4	0.4	4.9	8.1	0.2	1.4	74.0	100.0	3987
Province													
Nairobi	33.6	11.8	7.9	2.3	1.2	0.4	4.4	4.1	0.8	0.8	66.4	100.0	343
Central	39.6	8.0	10.1	3.6	0.3	1.2	7.8	7.1	0.3	1.2	60.4	100.0	653
Coast	18.2	5.7	1.7	3.6	0.1	0.3	3.6	3.0	0.3	0.0	81.8	100.0	344
Eastern	40.2	6.0	4.6	3.4	0.4	0.4	4.5	18.2	0.3	2.5	59.8	100.0	791
Nyanza	13.6	2.7	0.8	2.5	0.0	0.3	3.9	3.0	0.0	0.5	86.4	100.0	894
Rift Valley	29.4	3.7	2.4	5.3	1.0	0.5	5.4	8.9	0.3	2.1	70.6	100.0	1005
Western	13.7	3.6	1.6	1.6	0.2	0.3	2.7	3.1	0.0	0.7	86.3	100.0	724
Education													
No education	18.1	2.1	1.2	2.3	0.1	0.3	3.7	6.8	0.0	1.7	81.9	100.0	1489
Primary incmp.	25.8	4.2	2.8	4.0	0.3	0.1	5.7	7.2	0.2	1.3	74.2	100.0	1460
Primary comp.	30.0	7.1	4.2	4.4	0.6	0.3	4.9	6.9	0.3	1.2	70.0	100.0	990
Secondary+	40.5	10.3	9.6	2.6	1.0	1.7	4.4	9.6	0.7	0.7	59.5	100.0	809
Religion													
Catholic	25.6	4.4	3.2	2.3	0.7	0.6	3.3	9.7	0.4	1.2	74.4	100.0	1643
Protestant	29.1	5.8	4.1	4.2	0.3	0.4	5.9	6.7	0.1	1.5	70.9	100.0	2714
Muslim	17.1	4.8	3.1	2.9	0.0	1.0	2.7	2.5	0.2	0.0	82.9	100.0	163
Other	21.2	5.6	8.0	0.0	0.0	0.8	1.7	3.4	1.7	0.0	78.8	100.0	78
No religion	9.9	2.4	1.0	1.0	0.0	0.0	2.0	3.5	0.0	0.0	90.1	100.0	147
Total	26.7	5.2	3.7	3.3	0.4	0.5	4.7	7.4	0.2	1.3	73.3	100.0	4755

All women in the KDHS who were currently using contraception were asked where they obtained the method the last time. The responses to this question, classified by type of method, are shown in Table 6. The majority of users of all methods except periodic abstinence obtained their methods from either a government hospital or clinic. The Family Planning Association of Kenya (FPAK) is the next most important supplier of services. The private sector supplies about 10 percent of the users of modern methods and more than 20 percent of condom users. The majority of women who rely on periodic abstinence obtain information about the method from friends or relatives.

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Table 6. Percent Distribution of All Women Currently Using Contraception by Source for Method, According to Specific Method, Kenya, 1989

Source	Pill	IUD	Injec- tion	Condom	Female steril- isation	Periodic abstin- ence	Total
Government hospital	36.6	46.5	44.0	26.1	59.1	0.9	30.9
Government clinic	23.8	15.4	15.1	25.0	1.5	3.5	11.1
FPAK hospital	8.3	13.7	8.2	4.1	18.3	1.2	8.4
FPAK clinic	14.2	10.1	11.2	9.4	2.0	2.5	7.2
Mobile clinic or fieldworker	3.5	0.8	2.6	0.0	0.8	2.3	2.0
Private doctor	5.1	10.6	10.8	4.6	9.9	1.3	6.2
Other hospital/clinic	6.3	1.6	6.9	3.0	7.7	2.1	4.8
Pharmacy	1.0	0.0	0.0	17.5	0.0	0.0	0.5
Friends/relatives	0.0	0.3	0.3	7.9	0.0	58.6	19.3
Other	0.8	1.0	0.8	0.0	0.5	26.1	8.9
Missing	0.4	0.0	0.0	2.3	0.3	1.6	0.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number	327	217	189	29	253	496	1538*

* Includes 24 users of diaphragm/foam/jelly and 3 users of male sterilisation

D. Reasons for Nonuse of Family Planning

All women who were not pregnant and not using contraception were asked "If you became pregnant in the next few weeks, would you feel happy, unhappy, or would it not matter very much?". Those in the latter two categories were then asked why they were not using a method to avoid pregnancy. As shown in Table 7, the major reason given for nonuse is lack of knowledge, followed by disapproval of husband or partner, and health concerns. About 20 percent of these women do not feel themselves to be at risk of pregnancy, either because they are menopausal, breastfeeding, or are only infrequently sexually active.

E. Incidence and Treatment of Diarrhoea among Children

Data on the incidence of certain illnesses among children age 0-4 years were collected in the KDHS. As shown in Table 8, mothers reported that about 7 percent of their children had diarrhoea in the 24 hours before the survey and that about 13 percent had diarrhoea in the two weeks preceding the survey. Children whose mothers are younger than 30 have a slightly higher incidence of diarrhoea, as do children of women in rural areas. Childhood diarrhoea seems to be more common in Western, Nyanza and Eastern Provinces, and least common in Rift Valley, Coast, and Central Provinces. There is little variation in the proportion of children that had diarrhoea by education of the mother.

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Table 7. Percent Distribution of Currently Married Women Who Are Not Pregnant, Not Using Contraception and Would Not Be Happy to Become Pregnant in the Next Few Weeks by Reason for Nonuse, Kenya, 1989

Reason for not using	Percent	No. of women
Lack of knowledge	21.5	385
Opposed to FP	4.6	82
Husband disapproves	12.6	226
Others disapprove	0.3	5
Health concerns	12.2	219
Access/Availability	0.8	14
Costs too much	0.1	2
Inconvenient to use	1.7	31
Infrequent sex	6.4	114
Fatalistic	2.0	37
Religion	1.1	20
Postpartum/Breastfeeding	5.6	101
Menopausal/Subfecund	10.2	184
Other	11.5	207
Dont know	4.7	84
Missing	4.6	82
Number	100.0	1793

Among the children who had diarrhoea, more than three out of five received some kind of oral rehydration therapy (ORT), whether homemade or from a ready made packet. Children of younger mothers and mothers who lived in Central Province are more likely to receive ORT than other children. Urban and rural mothers are equally likely to treat their children with ORT. Aside from the fact that women with no education are the least likely to use ORT, there is no real difference in ORT use between mothers in the other education categories.

F. Immunization of Children

In the KDHS, mothers of children age 0-4 years were asked whether they had health cards for these children and, if so, were asked to show them to the interviewer. From these health cards, interviewers recorded the dates on which the following vaccinations were given: BCG; Polio doses 1,2,3 and 4; DPT doses 1,2,3 and 4; and measles.

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Table 8. Percentage of Children Under 5 Years of Age Having an Episode of Diarrhoea Within 24 Hours and Within 2 Weeks Preceding the Survey, and Among Children Who Have Had Diarrhoea, the Percentage Receiving Oral Rehydration Therapy (ORT), by Background Characteristics, Kenya, 1989

Background characteristic	Percent with diarrhoea		Percent receiving ORT*	Number of children
	In past 24 hours	In past 2 weeks		
Age of mother				
<30	7.3	14.3	64.7	3746
30+	5.9	10.8	56.4	2751
Residence				
Urban	5.4	10.8	62.0	924
Rural	6.9	13.2	61.7	5574
Province				
Nairobi	7.3	13.0	67.9	397
Central	4.6	10.0	82.9	933
Coast	4.3	9.9	53.9	371
Eastern	7.7	15.0	60.8	1160
Nyanza	7.0	15.5	55.8	1130
Rift Valley	4.7	7.5	53.0	1476
Western	10.6	18.6	62.6	1031
Education of mother				
No education	7.5	13.2	54.0	1702
Primary incomplete	7.0	13.1	66.1	2042
Primary complete	6.8	12.9	64.5	1546
Secondary/higher	4.9	11.8	61.9	1203
Total	6.7	12.8	61.7	6497

Data presented here are only for children age 1-4, since, by the time children are one year old they should be fully vaccinated against the principal childhood diseases listed above. Data from Table 9 show that a health card was seen for 48 percent of children age 1-4 years. This figure probably underestimates the proportion of children in Kenya with health cards because some children do not live with their mothers and their health cards are with the children, not with their mothers.

Children 12-23 months old are more likely to have a health card seen than older children, which is encouraging, since the 12-23 month-old group is the primary focus of the Kenya Expanded Programme of Immunization (KEPI). Children of mothers under age 30, children of rural women and children of mothers with only primary education are more likely to have health cards than children of other women. Mothers of children in Coast and Eastern Provinces are more likely to be able to show health cards for their children.

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Table 9. Percent of Children 1-4 Years of Age For Whom Mother Could Show a Health Card and Among Children With Health Cards, the Percent Who Received Specific Immunisations, According to Background Characteristics, Kenya, 1989

Background characteristic	Percent children < 5:			Among children under 5 with health cards, percent who received:									All immunizations* of children	No. children
	With health card seen	Immunized on health card	Mother reports some immuns.	BCG	DPT 1	DPT 2	DPT 3+	Polio 1	Polio 2	Polio 3+	Measles			
Age of Child														
12-23 months	61.1	60.9	34.9	96.6	97.7	95.8	91.9	97.8	95.1	93.1	78.1	72.4	1316	
24-35 months	49.5	49.5	46.3	97.2	98.9	92.9	87.9	96.7	93.5	89.3	80.2	73.2	1376	
36-47 months	44.8	44.6	50.8	95.8	97.5	94.1	89.0	97.3	92.7	88.0	81.0	71.7	1246	
48-59 months	35.5	34.9	58.7	95.9	94.3	91.2	84.3	94.0	89.0	82.9	81.6	71.8	1252	
Age of Mother														
<30	50.8	50.5	46.2	96.0	97.1	95.1	90.2	96.4	94.1	90.9	82.6	74.8	2882	
30+	44.3	44.1	49.1	97.1	97.8	91.9	86.8	97.1	91.4	86.5	76.2	68.8	2308	
Residence														
Urban	37.7	37.4	59.4	96.1	96.6	94.5	91.3	95.7	94.2	91.3	82.7	74.7	731	
Rural	49.6	49.4	45.5	96.5	97.5	93.7	88.5	96.8	92.9	88.8	79.6	72.1	4459	
Province														
Nairobi	37.0	36.4	59.8	93.1	95.4	94.9	90.3	94.9	93.7	90.9	85.1	74.9	314	
Central	44.0	44.0	53.0	95.8	98.7	98.5	96.5	98.8	99.0	96.9	91.8	86.2	750	
Coast	53.6	52.4	44.6	94.2	95.9	92.9	90.2	95.3	90.7	92.4	77.2	70.1	308	
Eastern	60.5	60.0	36.9	97.2	98.3	97.1	91.8	97.5	96.9	92.8	84.6	78.5	950	
Nyanza	46.8	46.6	46.7	97.1	96.3	90.4	84.9	96.7	90.9	86.2	68.4	62.9	893	
Rift Valley	48.6	48.6	46.1	97.6	97.6	93.2	88.6	96.6	91.5	87.2	81.7	71.9	1168	
Western	39.3	39.1	54.2	95.4	96.8	88.7	79.5	94.5	86.4	79.1	70.7	60.2	808	
Education														
No education	45.4	45.3	45.6	96.0	97.1	91.0	83.5	96.3	90.2	84.6	69.2	61.6	1381	
Prim. incom.	49.1	48.7	46.5	96.3	97.2	92.7	87.1	96.5	91.9	86.8	79.4	69.4	1630	
Primary comp.	52.4	52.1	45.4	96.1	98.1	96.9	92.6	97.7	96.0	93.7	84.6	79.3	1229	
Secondary+	44.0	43.8	54.5	98.1	97.1	95.4	93.9	96.0	94.7	93.1	90.0	83.3	945	
Total	47.9	47.7	47.5	96.5	97.4	93.8	88.8	96.7	93.0	89.1	79.9	72.4	5189	

Note: Totals may not add due to small number of cases with missing information.

Among children whose health cards were seen, nearly all had received BCG and three or more doses of DPT and polio vaccines. Coverage for measles was slightly lower at 80 percent, so the proportion of children with health cards who are fully immunized (e.g., BCG, at least 3 doses of DPT and polio and measles) is 72 percent. Children of younger, better educated mothers and children who live in Central and Eastern Provinces or in Nairobi are more fully immunized than other children. Surprisingly, there are few differences in immunization by age of child or by urban-rural residence.

Other sources of data on immunization (KEPI, 1987) indicate that 41 percent of children 12-23 months old were fully immunized according to information on their health

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cards and a further 10 percent according to mothers' reports. KDHS data show a slightly higher rate of 44 percent for children 12-23 months old based on cards (72.4 percent fully immunized among those with cards x 61.1 percent with cards seen). No comparable information based on mothers' memory is available from the KDHS, since mothers were not asked to report on the specific immunizations their children had received.

G. Prenatal Care and Delivery Assistance

The KDHS also collected information on the health care received by women during pregnancy and at the time of delivery. These data are presented in Table 10 for all births in the five years preceding the survey.

Almost nine out of ten women reported receiving an injection during pregnancy to protect the child from tetanus. There are only very minor differences by background characteristics in the proportion receiving tetanus injections.

Table 10 shows that over three-quarters of births in the five years before the survey benefitted from at least one pre-natal check from trained health personnel (doctor, nurse or trained midwife). The proportion receiving a pre-natal check from trained health personnel was higher for urban than rural women and for women with more education, compared to women with less education.

About half of the births in the five years before the survey had medical assistance at the time of delivery from a doctor, nurse or midwife, most often from a nurse or midwife. About one in seven births was assisted by a traditional birth attendant.

Differences by urban-rural residence are particularly striking, with over 75 percent of births to urban women being delivered with the assistance of a doctor, nurse or midwife, compared to only 46 percent of rural births. The proportion of births delivered by doctors, nurses and midwives differs by province, from 83 percent of births in Nairobi to only 35 percent of births in Western Province. There are also large differentials in assistance at delivery according to education. Only three out of ten births to women with no education receive trained assistance, while almost 8 out of 10 births to women with secondary or higher education receive assistance.

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of the husbands interviewed reported that they were currently using a contraceptive method.

Table 11. Percent Distribution of Husbands According to Selected Background Characteristics, Kenya, 1989

Background characteristic	Per- cent	Wtd. no.	Unwtd. no.
Age			
< 30	42.7	150	160
30-39	32.8	387	384
40-49	28.9	341	317
50 +	25.5	301	272
No. of Living Children			
0-2 Children	18.1	213	230
3-4 Children	23.8	281	277
5+ Children	57.9	683	623
Residence			
Urban	14.2	168	253
Rural	85.8	1012	880
Province			
Nairobi	5.8	69	104
Central	14.2	167	214
Coast	5.8	69	100
Eastern	20.4	241	176
Nyanza	17.1	201	197
Rift Valley	25.0	295	211
Western	11.6	137	131
Education			
No education	17.8	210	192
Primary incomplete	32.4	383	356
Primary complete	22.5	265	245
Secondary/higher	27.2	321	340
Religion			
Catholic	35.8	422	394
Protestant	54.7	645	614
Muslim	3.7	44	44
Other	1.0	12	19
No religion	4.7	55	60
Total	100.0	1180	1133

with one out of four reporting use of modern methods. Almost one quarter of husbands report current use of periodic abstinence. Of modern methods husbands report using, the pill is the most common, followed by female sterilization. In contrast to female respondents in the KDHS, husbands were allowed to report current use of more than one method.

Table 13 shows that urban husbands, husbands in Nairobi and husbands with secondary education are much more likely to be using contraception than other husbands.

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Table 10. For All Births in the Five Years Preceding the Survey, the Percent Whose Mothers Received a Tetanus Toxoid Injection, Prenatal Care or Assistance at Delivery from a Doctor, Nurse/Midwife, or Traditional Birth Attendant, by Selected Background Characteristics, Kenya, 1989

Background characteristic	Received tetanus toxoid	Received prenatal care from:			Assistance at delivery from:			Number of births
		Doctor	Nurse/ midwife	TBA*	Doctor	Nurse/ midwife	TBA*	
Age of Mother								
<30	89.5	28.8	49.7	1.7	17.9	37.6	14.1	4078
30+	87.9	27.7	48.0	2.1	14.4	28.4	14.3	2959
Residence								
Urban	92.1	28.4	53.4	0.9	23.2	54.5	5.0	1004
Rural	88.3	28.3	48.3	2.0	15.3	30.3	15.7	6033
Province								
Nairobi	90.2	27.4	55.9	0.6	19.8	63.3	2.5	428
Central	89.9	52.5	16.3	0.4	34.9	38.5	5.8	975
Coast	89.3	35.4	33.9	0.4	14.1	27.5	4.8	416
Eastern	88.3	31.0	49.2	1.0	12.5	27.9	19.6	1220
Nyanza	90.8	22.9	60.8	1.2	14.2	39.1	17.6	1313
Rift Valley	86.6	25.7	54.1	4.4	17.0	28.0	20.7	1533
Western	88.3	12.4	59.2	2.4	6.3	28.8	10.7	1153
Education of Mother								
No education	84.7	24.1	48.2	4.2	9.4	24.1	17.1	1864
Primary incomp.	88.9	26.1	50.2	1.3	14.3	30.6	15.2	2237
Primary complete	90.3	33.1	46.9	0.8	19.6	35.1	15.6	1656
Secondary/higher	92.6	32.2	50.8	0.8	26.2	51.9	6.2	1276
Total	88.8	28.3	49.0	1.9	16.4	33.8	14.2	7038
Number	6250	1993	3449	132	1155	2375	998	7038

Traditional Birth Attendant

H. Results from the Husband's Survey

As mentioned above, the KDHS included interviews with a subsample of husbands of interviewed women. In order to be eligible for interview, a man had to have spent the night before the interview in the selected household where his wife (or one of his wives) was interviewed. Readers are cautioned to understand that these results do not refer to all married men, but only to the subset that live with their wives and were available for interview.

Table 11 gives the distribution of husbands by background characteristics. One-quarter of the husbands interviewed are 50 years of age or older and half have completed primary school.

Table 12 shows that almost all husbands have heard of at least one contraceptive method, with 66 percent having used a method at some point in their lives. Almost half

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Protestant husbands and those reporting no religion, are more likely to use modern methods than either Catholic or Muslim husbands.

Table 12. Percentage of Husbands By Contraceptive Knowledge and Use, According to Method, Kenya, 1989

Method	Know method	Know source	Ever used	Currently using
Any Method	94.9	92.4	65.9	48.9
Any Modern Method	93.0	91.0	35.1	24.2
Pill	87.7	83.3	16.8	7.6
IUD	67.6	64.1	8.8	5.3
Injections	79.6	76.7	6.3	3.4
Diaphragm/Foam/Jelly	29.0	27.7	2.3	0.6
Condom	81.7	74.0	17.0	3.5
Female Sterilization	82.9	79.0	6.9	6.1
Male Sterilization	34.8	31.7	0.9	0.2
Any Traditional Method	82.7	51.3	55.3	29.1
Periodic Abstinence	76.4	51.3	48.9	25.8
Withdrawal	46.7	0.0	15.4	2.8
Other methods	18.8	0.0	8.8	3.2

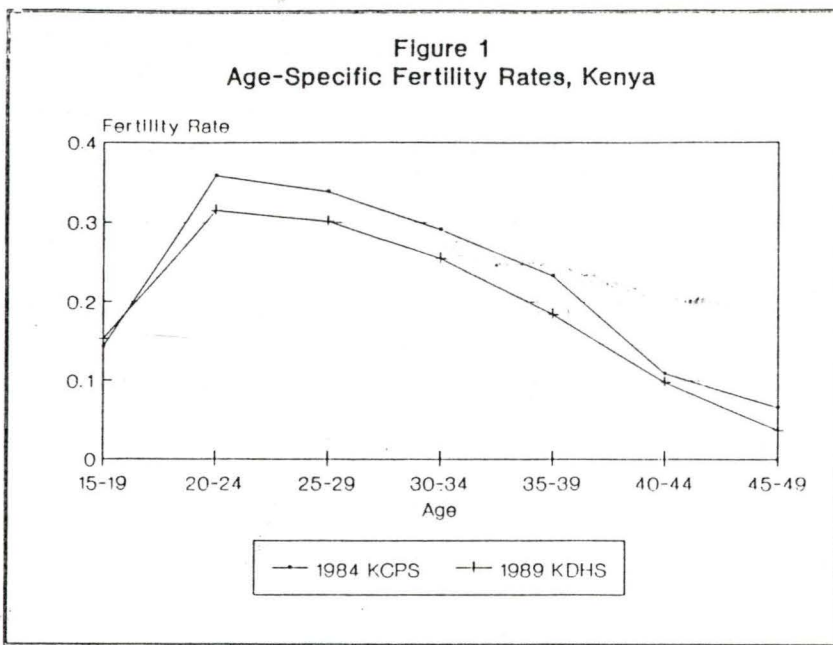
Table 13. Percentage of Husbands Who Are Currently Using A Contraceptive Method, by Method, According to Selected Background Characteristics, Kenya, 1989

Background characteristic	Any method	Any modrn meth.	Pill	IUD	Injec-tion	Diaph-ragm/foam	Con-dom	Female steril-ization	Any trad. method	Per. absti-nence	With-draw-al	No. of Other Husb
Age												
<30	45.0	21.2	10.5	1.9	2.8	1.0	5.0	1.8	30.4	26.5	3.8	2.5 150
30+	49.4	24.6	7.2	5.8	3.4	0.6	3.3	6.7	28.9	25.7	2.6	3.3 1030
No. Living Children												
0-2 Children	44.6	24.3	8.9	7.1	1.2	0.7	8.2	0.4	26.9	25.3	6.8	0.7 213
3-4 Children	52.1	28.1	10.9	6.9	5.3	0.0	1.8	4.9	26.7	23.7	0.2	3.4 281
5+ Children	48.9	22.7	5.9	4.1	3.2	0.9	2.7	8.4	30.7	26.7	2.5	3.9 683
Residence												
Urban	54.2	38.3	14.2	11.9	3.6	0.4	7.5	5.1	20.9	20.9	0.8	0.0 168
Rural	48.0	21.9	6.5	4.2	3.3	0.7	2.8	6.3	30.4	26.6	3.1	3.7 1012
Province												
Nairobi	63.5	44.2	14.4	15.4	2.9	0.0	9.6	7.7	26.0	26.0	1.0	0.0 69
Central	61.8	38.3	7.7	9.4	5.3	0.5	2.2	13.2	27.3	25.7	0.7	0.9 167
Coast	35.2	18.9	9.6	1.5	1.5	0.0	3.0	3.4	20.5	16.3	0.0	4.8 69
Eastern	63.6	22.3	7.3	6.6	3.3	0.0	1.8	5.5	45.5	43.7	3.5	1.4 241
Nyanza	40.4	18.6	7.9	1.3	4.5	0.3	3.0	4.6	25.8	25.3	3.2	1.0 201
Rift Valley	47.7	21.9	5.2	3.9	2.8	2.0	4.7	5.3	31.9	24.4	5.3	7.5 295
Western	22.1	16.3	8.8	3.8	1.9	0.0	3.3	3.3	6.7	2.7	0.0	4.0 137
Education												
No education	40.2	15.3	4.3	1.4	1.2	0.0	0.5	6.9	30.0	23.0	4.6	9.7 210
Prim. incom.	43.9	18.0	4.4	2.9	3.3	0.0	2.9	6.8	28.4	24.2	3.3	3.5 383
Primary comp.	48.3	19.5	5.6	4.8	2.0	0.0	4.5	2.9	32.5	31.2	1.0	1.0 265
Secondary+	61.0	41.2	15.3	11.1	5.9	2.3	5.2	7.4	26.3	24.9	2.3	0.5 321
Religion												
Catholic	47.9	21.5	7.4	4.7	2.7	0.7	2.5	4.6	32.5	31.2	2.2	0.9 422
Protestant	52.0	27.9	8.3	6.2	4.3	0.7	4.1	7.9	27.6	23.7	2.7	4.0 645
Muslim	50.4	18.1	10.5	3.8	0.0	0.0	3.8	1.5	39.0	29.3	13.3	9.6 44
No religion	14.9	3.8	1.2	0.0	0.0	0.0	1.2	1.5	11.0	4.3	0.0	7.4 55
Total	48.9	24.2	7.6	5.3	3.4	0.6	3.5	6.1	29.1	25.8	2.8	3.2 1180

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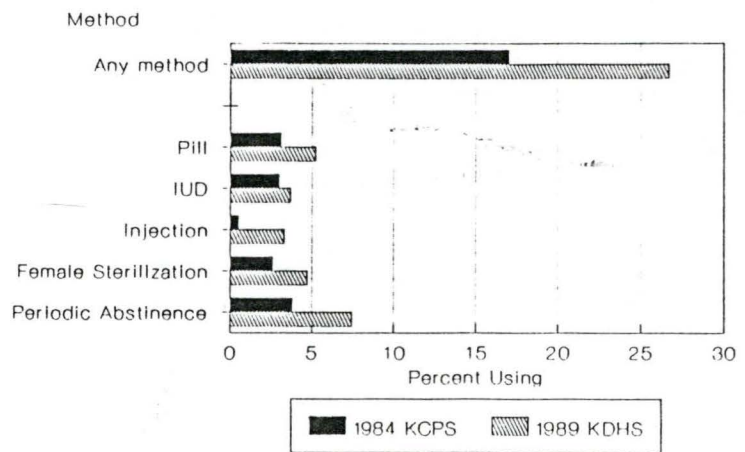


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Figure 2
Trends in Contraceptive Use Among
Currently Married Women 15-49, Kenya



COUNTRY: KENYA

DELEGATION:

Hon. Prof. George Saitoti, Vice-Pres.
Minister for Finance

Mr. Charles Mbindyo, Permanent Secr. for Finance

Mr. Eric Kotut, Governor, Central Bank

Friday 9/22 @ 3:00 p.m.

BACKGROUND

- Finance Minister Saitoti also appointed Vice President.
- Economic recovery has occurred during 1986-88; 5.1% p.a. real GDP growth.
- Some concerns on macro front include inflation (over 10% p.a.), budget deficit, and balance of payments.
- Bank-approved sectoral adjustment programs for agriculture, industry and finance. Adjustment operations also being prepared in health and education

POINTS TO BE MADE TO THE DELEGATION

Population: Acknowledge efforts of Government and note recent evidence of dramatic results (after years of little progress) in fertility rate drop and rise in contraceptive prevalence. The Bank stands ready to assist.

Export Promotion: Need to focus on aggressive promotion efforts and suggest broadening our dialogue to cover comprehensive strategies and policies.

- This would provide policy framework within which any EPZ proposal could be considered provided it was economically and financially feasible.

Wild Life/Environment: Welcome recent statements by President Moi calling for renewed attention to environmental issues.

- Express willingness to explore possible collaboration with Government.

IF DELEGATION MENTIONS...

Adjustment Lending and seeks assurance of continued quick disbursing support.

YOU SHOULD INDICATE our willingness to support structural adjustment over the medium term through quick disbursing policy-based lending.

- Provided Government maintains pace of policy reforms within an appropriate macroeconomic framework.
- Over the longer term need to gradually phase out quick-disbursing assistance and need to agree on a smooth transition to a mix of sector investment operations, hybrids and traditional projects.

Budget Deficit and proposes to raise FY89/90 target (agreed in the PFP) to accommodate externally funded projects.

YOU SHOULD POINT OUT that ensuring an appropriate macroeconomic environment is essential for continued policy based lending.

- Government must also demonstrate it can live up to its commitments (FSAC was approved on basis of fiscal targets).

FY89 Commitments: \$235.2 million

Disbursements : \$145.5 million

Amortization : \$169.8 million

GDP Growth: 5.0% (1989); 4.0% (84-88)

Lending Program (FY90-91):

ANNUAL MEETING BRIEF

Name of Country: Kenya

Date: September 6, 1989

Meeting With:

Hon. Professor George Saitoti, Vice-Pres. and Minister for Finance
Mr. Charles Mbindyo, Permanent Secretary for Finance
Mr. Eric Kotut, Governor of the Central Bank of Kenya

Population: 21.8 million

Estimated Growth Rate: 3.9% (1987)

GNP per Capita: \$330 (1987)

	(\$ million)		(\$ million)
Total Commitments to Date:		FY89 Commitments:	235.2
of which:	2,176.17	Disbursements:	145.5
Bank: (46 operations)	962.92	Amortization:	169.8
IDA: (62 OPERATIONS)	1,213.25	SPA Allocations (CY88-CY90)	
Total Undisbursed:	551.08	Total:	459.0
Lending Program: FY89-90	321.60	Of which Official:	396.0
(excluding reserve projects)		Unofficial:	63.0

<u>Summary Data</u>	<u>Average</u>		
	<u>1984-88</u>	<u>1989</u>	
GDP Growth:	4.0	5.0	Aid Group Meeting: Consultative Gro
Export Growth:	2.6	4.0	Last Meeting: October 1988
Import Growth:	9.3	4.5	IMF Status as of August 1989:
Current Account Deficit % GDP	2.8	3.9	ESAF, IMF mission is preparing
Debt Service Ratio	37.4	36.4	Board paper on first review.
Annual Inflation Rate	8.2	9.5	

Background

Kenya has sustained its recent economic recovery but concerns remain on the macroeconomic front. Kenya's structural adjustment effort now encompasses three sectors: agriculture, industry and finance. Adjustment operations are being prepared for the education and health sectors.

Issues Likely to be raised by the Delegation

- continuation of quick-disbursing support; and
- the FY89/90 fiscal deficit.

Issues to be raised by the Bank Management

- progress in population program;
- export promotion strategies; and
- support for wildlife and the environment.

Attachments

- (i) Lending Programme: FY89-94 (FY89 actual)
- (ii) Biographical Information

Background

1. On the political front, the most significant development over the past twelve months was the appointment of Professor Saitoti to the post of Vice-President while retaining his responsibilities as Minister for Finance. The implications for Bank activities in Kenya remain uncertain. On the one hand, it can reasonably be expected, that in the course of assisting Kenya in its structural adjustment efforts, access to the highest political authority for purpose of securing political endorsement is greatly enhanced. On the other hand, the heightened political visibility of the Bank's key interlocutor may carry with it greater risks which would need to be offset by slowing down the adjustment process, particularly in such areas as the social sectors (education and health), where sensitivities are greater. Nevertheless, in making this appointment, President Moi has further demonstrated that he remains fully in control; a position which is amplified by the recent release of all political prisoners.

Economic Developments

2. Kenya's economy has continued its recovery since the mid eighties. Over the past three years (1986-88), real GDP growth has averaged 5.1 percent annually. Although over this period, the Government has made progress in its stabilization efforts, some concerns remain on the macro front. Inflation remains high at over 10 percent and there are indications the Government may want to exceed this year's budget deficit target (as agreed in the PFP) in order to accommodate additional external concessional assistance. In addition, there is renewed concern over the balance of payments as a result of: rapid downturn in coffee prices following suspension of the ICO agreement; likely adverse effect on tourism revenues of recent security problems; and a rising import levels, partly in response to the import liberalization program.

3. Kenya has made considerable progress in its sectoral adjustment program. The second tranche of the Agricultural Sector Adjustment Credit was released in February 1988 and discussions have started with Government on a follow-on operation. A recent mission to review second tranche of the Industrial Sector Adjustment Credit (ISAC) concluded that adequate progress has been made in meeting key conditions (including import liberalization), with the exception of the formulation of an action plan to restructure Development Finance Institutions (DFIs). Government is working to strengthen its proposed action plan and expects to have agreed with the Bank by the time of the Annual Meeting. The Financial Sector Adjustment Credit was approved by the Board in June this year. Adjustment operations are also being prepared in the education and health sectors.

Issues to be Raised by the Delegation

4. Adjustment Lending. The Delegation will seek assurances that the Bank will continue to provide quick-disbursing support through adjustment operations, and its associated cofinancing.

5. Recommended Bank Position. Management should indicate Bank willingness to continue supporting, over the medium term, structural

adjustment in Kenya through quick-disbursing, policy-based-lending. In order to justify such support there is a need to ensure that the Government maintains the pace of policy reforms within an appropriate macroeconomic framework. Over the longer term, however, as structural reform programs are completed in key sectors, there will be a need to gradually phase out quick-disbursing assistance. As the Kenya program evolves, the Bank and Government will need to discuss a country assistance strategy which ensures a smooth transition away from pure quick-disbursing credits toward an appropriate mix of sector investment operations, hybrids and traditional project lending.

6. The Budget Deficit. Since the March PFP discussions held with the Kenyan delegation in Washington, the Government has indicated it may want to raise the FY89/90 budget deficit target from that agreed in the PFP in order to accommodate KL 73.35 million in projects funded by external concessional assistance. The additional funds would raise the budget deficit from the agreed 4.2 percent of GDP to about 5 percent. The Government will point out that since the entire amount will be funded from external sources, it will not affect domestic financing of the deficit and will therefore not exacerbate domestic liquidity pressures.

7. Recommended Bank Position. Management should point out that ensuring an appropriate macroeconomic environment is essential for the Bank to continue to support Kenya's structural adjustment efforts through policy-based lending. The Government must also be able to show it can live up to its commitments, in this case, those agreed under the current PFP. In particular, the recent Financial Sector Adjustment Credit was approved on the basis of Government's commitment to fiscal targets agreed upon as part of the second-year PFP.

Issues to be Raised by the Bank Management

8. Population. Efforts to slow population growth have been underway since 1967 in Kenya. After years of stagnation the population program has begun to show dramatic results. The total fertility rate has dropped from 7.7 in 1984 to an estimated 6.7 at present, and the contraceptive prevalence rate has increased to 27 percent. Contraceptive use has increased by 50 percent in the past five years. Demand for contraceptive continues to grow steadily and it is likely that there will still be further increases in the contraceptive prevalence rate in the medium term. It is recommended that these developments be noted and the efforts of the Government be acknowledged. The Bank stands ready to assist the Government to ensure that progress is maintained.

9. Export Promotion. The Government has requested Bank assistance with construction of an Export Processing Zone (EPZ) near Nairobi. The Bank has responded by providing an SPPF facility to carry out a feasibility study. Management should emphasize it needs to be satisfied of the EPZ's economic and financial feasibility. Furthermore, it is important that the Delegation understand that if the EPZ is found to be viable, the Bank's involvement would have to be in the context of a policy framework that sees EPZs not as an end in themselves, but as an interim step toward broader export promotion efforts. It is therefore important to emphasize that the Bank will need to broaden its dialogue to cover more comprehensive export promotion strategies and policies. Recent concern over the balance of payments underlines the need to focus on more aggressive export promotion efforts.

10. Wildlife/Environment. Recent security problems related to wildlife have highlighted the need to safeguard this valuable resource, both in terms of its contribution to tourism revenues (currently Kenya's principal foreign exchange source) and in terms of broader environmental management efforts. In recent months Bank staff have discussed with concerned Government officials possible areas of support for Kenya's wildlife sector. Management should note and welcome recent statements by President Moi, both in Kenya and abroad, which call for renewed attention to a broad range of environmental issues. The Bank supports these concerns and is willing to explore with Government possible collaboration to address Kenya's serious environmental problems.

Capital Subscription

11. Capital has been fully subscribed.

ATTACHMENT IKENYA LENDING PROGRAM
(FY89-FY93)

Projects		Status	IDA US\$ Mil.
FY89	Rural Services	A	20.8
	Geothermal (Power)	A	40.7
	Financial Sector Adj.	A	120.0
	Industrial Sector Adjustment Cr.	A	<u>53.7</u>
			235.2
FY90	Coffee II		46.8
	Nairobi Third Water Supply	A	64.8
	Financial Sector Adj. Cr. TA	A	<u>5.0</u>
			116.6
FY91	Urban Transport		50.0
	Forestry IV		30.0
	Agricultural Sector Adjustment		100.0
	Health Rehabilitation		15.0
	Export Promotion		<u>10.0</u>
			205.0
FY92	Agric. National Extension II		30.0
	Education Sector		70.0
	Enterprise Restr.		70.0
	Ports		<u>20.0</u>
			190.0
	Wildlife and Tourism	R	30.0
FY93	Population IV		20.0
	Rural Roads		25.6
	Health Sector		50.0
	Energy I	S	<u>60.0</u>
			155.6
	Arid & Semi-Arid	R	50.0
GRAND TOTAL			902.4
Total Number of Operations			20
Reserve Projects			2

A = Actual; S = Standby; R = Reserve.

BIOGRAPHICAL INFORMATION

Delegation of Kenya

The Honorable Professor George Saitoti
Minister of Finance, Governor, Bank

Professor Saitoti was born in 1944. He received a M.Sc. from the University of Sussex and a Ph.D. from the University of Warwick. From 1971 to 1983 he taught Mathematics at the University of Nairobi. Between 1974 and 1981 he was a member of the East African Legislative Assembly. He served as Chairman of the Mumias Sugar Co. from 1980 to 1983, and Director and Executive Chairman of the Kenya Commercial Bank from 1977 until his appointment as Minister of Finance in October 1983. Professor Saitoti has led the Kenya delegation at the two most recent Consultative Group meetings.

Mr. Charles Mbindyo, Permanent Secretary
Ministry of Finance; Alternate Governor, Bank

Mr. Mbindyo was born in 1940. He was educated at Makerere University where he was graduated in 1965, following which he joined Government service. Up to 1968, he served in District and Provincial administrative posts. He joined the Ministry of Finance in 1968 where up to 1977 he served in posts in the Treasury and in Planning. In 1977, he was appointed Managing Director of Kenya Industrial Estates (KIE). In 1985, he moved to become Managing Director of the Agriculture Finance Corporation (AFC). At KIE and AFC, he worked closely with Bank staff to strengthen institutional and management capacity. He was appointed Permanent Secretary Finance in 1986.

Mr. Eric Cheruyot Kotut, Governor
Central Bank of Kenya; Governor, Fund

Mr. Kotut was born in 1943. He received a B. Com. from the University of East Africa. He served as Director of the Industrial Survey and Promotion Center from 1971-79, and Managing Director of the Kenya National Trading Corporation from 1979-84. He also served as Deputy Governor of Central Bank of Kenya from 1984-88 until his appointment as Governor in January 1988.

IBRD CAPITAL SUBSCRIPTION STATUS - BY COUNTRY
(AS OF JULY 31, 1989)

RESOLUTION		TOTAL	SHARES ALLOCATED				AMOUNTS TO BE PAID IN FOR UNSUBSCRIBED SHARES		NATIONAL CURRENCY UNRELEASED FOR SHARES SUBSCRIBED \$ MIL EQ A/
NO.	ADOPTED		SUBSCRIBED		UNSUBSCRIBED		PAYABLE IN US\$ (\$ THOUS.)	PAYABLE IN LOCAL CURRENCY (\$ THOUS.)	
			NO.	\$ MILLION	NO.	\$ MILLION			
KENYA									
190	63/09/30	333	333	40.17	0	.00	.00	.00	
258	70/07/31	67	67	8.08	0	.00	.00	.00	
314	77/02/09	150	150	18.10	0	.00	.00	.00	
346	80/01/04	515	515	62.13	0	.00	.00	.00	
347	80/01/04	250	250	30.16	0	.00	.00	.00	
395	84/08/30	66	66	7.96	0	.00	.00	.00	
425	88/04/27	1080	1080	130.29	0	.00	.00	.00	
TOTAL		2461	2461	296.88	0	.00	.00	.00	7.0

A/ AS OF JUNE 30, 1989. DOES NOT INCLUDE TRANSLATION ADJUSTMENT.



Record Removal Notice

File Title Country Files: Kenya - Correspondence 01		Barcode No. 1779751		
Document Date 08 June, 1989	Document Type Memorandum			
Correspondents / Participants To: Barber B. Conable, EXC From: Jonas H. Haralz, EDS20				
Subject / Title Kenya: Financial Sector Adjustment Credit				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date November 01, 2021</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date November 01, 2021
Withdrawn by Sherrine M. Thompson	Date November 01, 2021			

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 89/03/31 DUE DATE : 00/00/00
LOG NUMBER : 890331009 FROM : Mr. Madavo (MAQ)
SUBJECT : BRIEFING: Meeting with Finance Minister of Kenya - Prof. Saitoti
March 31, 1989 at 3:00 pm.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

_____ APPROVED
_____ PLEASE HANDLE
_____ FOR YOUR INFORMATION
_____ FOR YOUR REVIEW AND RECOMMENDATION
_____ FOR THE FILES
_____ PLEASE DISCUSS WITH _____
_____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
_____ AS WE DISCUSSED
_____ RETURN TO _____

COMMENTS :cc: Josue, JVoik (follow file)

The World Bank
Washington, D.C. 20433
U.S.A.

MOEEN A. QURESHI
Senior Vice President, Operations

March 30, 1989

Mr. Conable:

I have met with the Finance Minister of Kenya. I have told him that while we will work with them in devising a modified program in the area of trade liberalization and textiles, there will need to be sufficient progress for us to make a credible case for a release of the Second Credit Tranche. In short, while the Kenyans have made progress in certain fields, we need to maintain pressure on them to deliver as much as can be delivered in the import liberalization area, taking into account political realities. I have also told the Minister that a modification of the Second Tranche conditions will need to be approved by the Board. I would appreciate therefore a firm but not unsympathetic stance on your part.

Moeen

OFFICE MEMORANDUM

DATE: March 30, 1989

TO: Moeen A. Qureshi, Senior Vice President, Operations
Through: Edward V.K. Jaycox, Vice President, Africa Region
FROM: Callisto E. Madavo, Director, Country Department II, Africa Region

[Handwritten signature]
30
CEM

EXTENSION: 34036

SUBJECT: KENYA - Industrial Sector Adjustment Program and PFP Discussions

1. This note is to update you on the status of ISAC/PFP discussions with the Kenyan Government delegation, in preparation for your meeting with the Minister of Finance today.

2. As explained in my memo of March 24, the main issue has been the Government's inability to meet the Second Tranche condition for the Industrial Sector Adjustment Credit (ISAC), which requires that quantitative restrictions (QRs) in Schedule IIIB be replaced with equivalent tariffs. When a supervision mission visited Nairobi earlier this month, the Government proposed meeting this condition by revising IIIB so that it would include 177 items (against 462 currently) and account for about 70% of the value of 1986 imports in the original Schedule. Based on our discussions, the Government has now revised this proposal by adding 93 items to IIIB from Schedule IIIC (which will remain protected with QRs until 1990-91). These additions increase the value of 1986 imports in the revised IIIB to about 74% of that in the original Schedule. Some of the additional items are in the food and leather subsectors, which were almost entirely excluded from IIIB in the earlier proposal. Other items that have been added include soap and detergents, cement and some paper products. Some additions to IIIB, such as soap, paper products and cement, compete with domestic industry. To this extent, the new proposal partly addresses our concern that the earlier version of IIIB would substitute tariff protection for QRs only for a small segment of domestic industry. Data problems make it impossible to estimate accurately the proportion of industrial value added that is covered by the new IIIB. Industrial statistics are not disaggregated enough to be compared directly with the items in the import schedules. Apart from revising the composition of IIIB, the Government remains committed to the previously agreed timing (1990-91) for replacing QRs with equivalent tariffs for IIIC.

3. Textile products in IIIB have been moved to the revised IIIC and the Government reiterated its inability to replace QRs with tariffs for these products. Its position is that many textile firms, most of them parastatals, are in financial difficulty or use outdated machinery and would therefore be unable to cope with import competition when protected only by tariffs. Since it considers these industries to be potentially viable, the Government has requested Bank assistance to develop and implement a restructuring program for the sector. Upon completion of this restructuring program, QRs for textiles and garments would be replaced with equivalent tariffs. We are discussing the details and timing of such a restructuring program to ensure that demonstrable progress in putting the sector on a sound footing is achieved in the

1990-91 period. The proposed timing and scope of this program will be indicated in the PFP and an ISAC supervision mission planned for April will follow up as necessary to enable the program to begin in June/July.

4. Another ISAC Second Tranche condition requires agreement with IDA on an action program and initial steps to restructure development finance institutions (DFIs) and their portfolios. The Government has proposed strengthening the program by accelerating implementation. The delegation has indicated that its proposed action program would include phased divestiture of some companies held in the DFI portfolios and restructuring of at least one DFI. It has proposed that the details be worked out with a Bank mission in Nairobi in April. The program would then be initiated with measures announced before and during the Budget Speech in June.

5. On export promotion, the delegation stated its intention to meet the Second Tranche condition by improving the existing export compensation scheme by expanding the list of eligible exporters and expediting payments. With these improvements, the scheme would retain its administrative simplicity while the rebate provided to eligible exporters would reduce the anti-export bias appreciably.

6. While discussions are continuing, I am satisfied that the elements outlined above together with Government's continuing commitment to the program provide an adequate basis for us to proceed in principle with the Second Tranche. Once the proposed actions are taken in June, we would send a Second Tranche review mission for a comprehensive review of progress and prepare the tranche release documentation for approval, in accordance with established procedures.

7. In your meeting with the Minister, I request that you reiterate the importance of Kenya moving more aggressively with the restructuring of the economy including import liberalization.

OFFICE MEMORANDUM

DATE: March 24, 1989

TO: Moeen A. Qureshi, Senior Vice President, Operations
Through: Edward V.K. Jaycox, Vice President, Africa Region
FROM: Callisto E. Madavo, Director, Country Department II, Africa Region

Edward V.K. Jaycox
3/24

EXTENSION: 34036

SUBJECT: KENYA - Industrial Sector Adjustment Program

1. A Kenyan Government delegation, led by the Minister of Finance and including the Governor of the Central Bank, will visit Washington from March 27. The Minister has expressed his desire to meet with you during his visit. The Government hopes to conclude negotiations on the PFP, which would allow access to the ESAF and clearance to negotiate the Financial Sector Adjustment Credit (FSAC). Since Second Tranche conditions of the Industrial Sector Adjustment Credit (ISAC) are part of the PFP, problems that have arisen with regard to these will need to be addressed. This note explains these problems and presents possible options for resolving them.

2. The ISAC, which became effective in September 1988, supports a medium term adjustment program for the industrial sector in Kenya. This operation was the second in a series of sector operations designed to support structural adjustment in Kenya. It aims at enhancing efficiency in the industrial sector and encouraging manufactured exports and investment. The trade liberalization component of the program is intended to enhance the efficiency of domestic industry and reduce the anti-export bias of the current policy regime. The First Tranche condition was the implementation of unrestricted licensing for imports in Schedules I, II and IIIA, mostly raw materials, intermediate and capital goods. For Second Tranche release, unrestricted licensing is to be extended to imports in Schedule IIIB, which includes many products that compete with domestic production. However, this step (unlike I, II and IIIA) is to be accompanied by the imposition of equivalent tariffs for these items, thereby maintaining the level of protection to domestic producers even with unrestricted licensing. In designing the adjustment program, these actions in liberalizing imports were intended as a preliminary step before reductions in effective protection would be undertaken. In the next phase of the program (1990-93), tariffs on items in Schedules IIIA, IIIB and IIIC would be reduced with the aim of moving towards lower and more uniform protection. The other elements in this first phase of the program aim at improving incentives for exports and investment with price decontrol, restructuring of development finance institutions (DFIs) and their portfolios, and improved investment and export promotion schemes.

3. The implementation of First Tranche Conditions was monitored by a supervision mission in November 1988. That mission found that some actions, mainly in liberalizing imports, had been delayed. In February 1989, a joint IMF-Bank mission could not finalize the PFP because of the Government's desire to renegotiate the import liberalization program in the ISAC. A second supervision mission, which has just returned,

reported progress in implementing the First Tranche condition on import liberalization, noting recent changes in the import licensing and monitoring systems. It concluded that, although experience with the new system was limited, there had been improvements in both the speed and transparency of the licensing process for imports in the liberalized Schedules. As a condition for release of the Second Tranche, unrestricted licensing for these Schedules will need to be maintained.

4. The Government informed the recent supervision mission that while it remains committed to import liberalization as a key component in the adjustment program it cannot fully implement unrestricted licensing for Schedule IIIB as required for Second Tranche release. The Minister of Finance attributed his inability to maintain the previously agreed timing of this action to the political difficulties involved in implementing it for some items (mainly food and textiles) in IIIB. To liberalize IIIB in June 1989, the Government proposes to revise the Schedule so that it contains 177 items (at the six-digit SITC level) compared to 462 items at present. This proposed revision involves shifting items between IIIB and IIIC (which is to be liberalized in June 1990). Since the revised Schedule covers about 70% of the value of 1986 imports in the original Schedule, the Government maintains that it still represents a major step towards liberalization. However, the share of import value included in the revised Schedule by itself is not an adequate indicator of the extent of reform. This measure tends to underrepresent subsectors in which domestic producers are heavily protected with quantitative restrictions (QRs). Further, it does not indicate the extent to which tariff protection would replace QRs for domestic industry, which substitution was the main objective of this phase of the program. In our view, the proposed revision of IIIB will substantially weaken the import liberalization component of the program because most products in processed food, textiles and leather products sectors now in IIIB are to be shifted to IIIC where they will remain protected with QRs. These are among the subsectors (in the present IIIB) that have the largest share of domestic production and are most heavily protected with QRs. Further, this step of replacing QRs with equivalent tariffs is supposed to precede the stages of the adjustment program that will reduce the level of effective protection. Therefore, there is a danger that such reductions in tariffs and effective protection on products such as processed foods and textiles, for which the benefits of greater import competition are likely to be significant, will be postponed even beyond the current targets of the early 1990s.

5. We see two options in dealing with this problem. One position is to maintain the present conditionality for Second Tranche release and reject any attempt at revising the composition of the Schedule to be liberalized. However, we see nothing to indicate that the Government's perceived political difficulties in replacing QRs with tariff protection, particularly for food products in IIIB, will ease by June 1989. Therefore, given the Government's practice of making these changes only during the annual presentation of the Budget, release of the Second Tranche would be delayed at least until June 1990. Even at that time it may be difficult for the Government to fully implement unrestricted

licensing for these items and further delays in disbursing the Second Tranche may result. Maintaining the present conditionality on ISAC would mean that agreement would not be possible on the PFP. This would jeopardize the ongoing adjustment effort and the support for it proposed through the ESAF and the FSAC. The FSAC, in particular, is an operation for which a strong case can be made even if the release of the ISAC Second Tranche is delayed because of problems on import liberalization. It may be argued that financial liberalization (of the sort intended under FSAC) should not be implemented in situations in which substantial distortions exist in the economy so as not to risk channelling resources into inefficient activities. In the Kenyan case, however, it appears that the existing distortions are not severe enough to warrant postponing action in the financial sector. Further, the FSAC includes reforms, such as market-determined interest rates, restructuring of troubled financial institutions and strengthening the Central Bank, that are worthwhile in their own right and, indeed, even preconditions for success in import liberalization. The reduction in external resources due to the loss of ESAF and FSAC would strain Kenya's balance of payments position considerably and therefore jeopardize any progress that has already been achieved under ISAC. Given these implications for the lending program and for sustaining past reforms, this does not appear to be a viable option.

6. A second, and perhaps more feasible, option would focus on the Government's medium-term program for industrial adjustment, within the context of discussions on the PFP, rather than deal only with the ISAC Second Tranche conditions. This would likely involve stretching out the Government's present program for liberalizing imports. In the PFP, we would seek an explicit statement of the steps that the Government intends to take in this and other areas of its industrial sector adjustment program. For implementation in June 1989, our position would be that the Government's present proposal for revising Schedule IIIB must be expanded to include several items (in food, textiles or other sub-sectors) for which domestic production accounts for a significant share of demand. Revising IIIB in this way, so that it includes product groups with substantial domestic production, serves the purpose of testing the Government's resolve in proceeding with aspects of import liberalization that involve considerable political costs. In addition to expanding coverage of IIIB, we would seek to strengthen the reform program by including measures such as additional price decontrol, more aggressive export promotion and early action in restructuring DFIs. Further price decontrol would enhance investment incentives while accelerating the export promotion program, by for instance, adopting a more aggressive exchange rate policy or implementing a scheme to provide manufactured exporters with duty free imported inputs, would reduce the anti-export bias. Hence, these measures would compensate for the slower implementation of import liberalization that this option may involve. The key Second Tranche conditions at present and possible modifications in these are shown in the Attachment.

7. If this option is accepted, it would allow agreement to be reached on the PFP. Although the modified Second Tranche conditions for ISAC would

extend the period over which import liberalization will occur, other components would be strengthened sufficiently so as to attain the objectives of the overall adjustment program. The timing of Second Tranche release would still depend on satisfactory implementation of the required actions. If Government is unwilling, in these discussions, to modify its current position substantively on the composition of IIIB and strengthen other areas of the program, we would retain the present conditionality on ISAC and be prepared to reopen discussions with Government at a later date. Clearly, the consequences of this outcome for the PFP and therefore the ESAF, FSAC and the flow of external resources to Kenya would be the same as with the first option.

The World Bank
Washington, D.C. 20433
U.S.A.

3:00

Kenya

MOEEN A. QURESHI
Senior Vice President, Operations

March 30, 1989

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I have met with the Finance Minister of Kenya. I have told him that while we will work with them in devising a modified program in the area of trade liberalization and textiles, there will need to be sufficient progress for us to make a credible case for a release of the Second Credit Tranche. In short, while the Kenyans have made progress in certain fields, we need to maintain pressure on them to deliver as much as can be delivered in the import liberalization area, taking into account political realities. I have also told the Minister that a modification of the Second Tranche conditions will need to be approved by the Board. I would appreciate therefore a firm but not unsympathetic stance on your part.

Moeen

OFFICE MEMORANDUM

DATE: March 30, 1989

TO: Moeen A. Qureshi, Senior Vice President, Operations
Through: Edward V.K. Jaycox, Vice President, Africa Region
FROM: Callisto E. Madavo, Director, Country Department II, Africa Region

[Handwritten signature]
30
CEM

EXTENSION: 34036

SUBJECT: KENYA - Industrial Sector Adjustment Program and PFP Discussions

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7. In your meeting with the Minister, I request that you reiterate the importance of Kenya moving more aggressively with the restructuring of the economy including import liberalization.

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DATE: March 24, 1989

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Through: Edward V.K. Jaycox, Vice President, Africa Region
FROM: Callisto E. Madavo, Director, Country Department II, Africa Region

Edward V.K. Jaycox
3/24
Callisto E. Madavo

EXTENSION: 34036

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3. The implementation of First Tranche Conditions was monitored by a supervision mission in November 1988. That mission found that some actions, mainly in liberalizing imports, had been delayed. In February 1989, a joint IMF-Bank mission could not finalize the PFP because of the Government's desire to renegotiate the import liberalization program in the ISAC. A second supervision mission, which has just returned,

reported progress in implementing the First Tranche condition on import liberalization, noting recent changes in the import licensing and monitoring systems. It concluded that, although experience with the new system was limited, there had been improvements in both the speed and transparency of the licensing process for imports in the liberalized Schedules. As a condition for release of the Second Tranche, unrestricted licensing for these Schedules will need to be maintained.

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5. We see two options in dealing with this problem. One position is to maintain the present conditionality for Second Tranche release and reject any attempt at revising the composition of the Schedule to be liberalized. However, we see nothing to indicate that the Government's perceived political difficulties in replacing QRs with tariff protection, particularly for food products in IIIB, will ease by June 1989. Therefore, given the Government's practice of making these changes only during the annual presentation of the Budget, release of the Second Tranche would be delayed at least until June 1990. Even at that time it may be difficult for the Government to fully implement unrestricted

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6. A second, and perhaps more feasible, option would focus on the Government's medium-term program for industrial adjustment, within the context of discussions on the PFP, rather than deal only with the ISAC Second Tranche conditions. This would likely involve stretching out the Government's present program for liberalizing imports. In the PFP, we would seek an explicit statement of the steps that the Government intends to take in this and other areas of its industrial sector adjustment program. For implementation in June 1989, our position would be that the Government's present proposal for revising Schedule IIIB must be expanded to include several items (in food, textiles or other sub-sectors) for which domestic production accounts for a significant share of demand. Revising IIIB in this way, so that it includes product groups with substantial domestic production, serves the purpose of testing the Government's resolve in proceeding with aspects of import liberalization that involve considerable political costs. In addition to expanding coverage of IIIB, we would seek to strengthen the reform program by including measures such as additional price decontrol, more aggressive export promotion and early action in restructuring DFIs. Further price decontrol would enhance investment incentives while accelerating the export promotion program, by for instance, adopting a more aggressive exchange rate policy or implementing a scheme to provide manufactured exporters with duty free imported inputs, would reduce the anti-export bias. Hence, these measures would compensate for the slower implementation of import liberalization that this option may involve. The key Second Tranche conditions at present and possible modifications in these are shown in the Attachment.

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OUTGOING MESSAGE FOR ELECTRONIC COMMUNICATION

TEXTNAME: Moi-Telex

PAGE 1 OF 1

WDIAL
.AF2CO
OINFO

-SUBJECT: INVITATION TO ATTEND KENYA'S 25TH ANNIVERSARY OF
- INDEPENDENCE

-DRAFTED BY: DAVID T. HATENDI, AF2CO EXT:34159
-AUTHORIZED BY: MR. BARBER CONABLE, EXC
-CC: MESSRS. QURESHI, JAYCOX, MADAVO, AMOAKO, EIGEN.

-963 22003 =
-HIS EXCELLENCY DANIEL T. ARAP MOI
-PRESIDENT OF THE REPUBLIC OF KENYA
-STATE HOUSE
-NAIROBI, KENYA

BT
WASHINGTON DC - NOVEMBER 18, 1988

~~ON ACCOUNT OF A TRIP COMMITMENT~~, I AM REGRETFULLY UNABLE TO
ACCEPT YOUR INVITATION TO JOIN IN THE CELEBRATIONS ON THE 25TH
ANNIVERSARY OF KENYA'S INDEPENDENCE. NEVERTHELESS, ON BEHALF OF
THE WORLD BANK, I AM VERY HONOURED TO HAVE RECEIVED YOUR
INVITATION TO ATTEND THE FORTHCOMING CELEBRATION. THIS WILL
INDEED BE AN AUSPICIOUS OCCASION FOR THE PEOPLE OF KENYA AND YOU
AS WELL AS YOUR GOVERNMENT MUST BE CONGRATULATED FOR THE ABLE
LEADERSHIP THAT HAS PRESIDED OVER KENYA'S CONTINUING GROWTH AND
DEVELOPMENT OVER THE YEARS.

I WISH TO ASSURE YOU THAT WE IN THE WORLD BANK VALUE GREATLY OUR
STRONG PARTNERSHIP WITH THE GOVERNMENT OF KENYA AND LOOK FORWARD
TO CONTINUING PROGRESS IN YOUR GOVERNMENT'S EFFORTS TO IMPROVE
THE WELFARE OF ALL KENYANS. IT IS IN THIS SPIRIT THAT I HAVE
ASKED MR. PETER EIGEN, THE DIRECTOR OF THE REGIONAL MISSION IN
EASTERN AFRICA, KENYA TO REPRESENT ME ON THIS HAPPY OCCASION.

PLEASE ACCEPT MY VERY BEST WISHES FOR YOU AND THE PEOPLE OF
KENYA.

BARBER CONABLE
PRESIDENT
WORLD BANK

SIGNATURES:



DRAFTED BY: David T. Hatendi
AUTHORIZED BY: Mr. Barber Conable

READY FOR

TRANSMISSION: _____
(Inputter's Initials)

TRANSMITTED BY: _____

DATE: _____

DELIVERY NOTICES RECEIVED? _____

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/11/10

DUE DATE : 88/11/21

LOG NUMBER : 881114004

FROM : Denis Afande

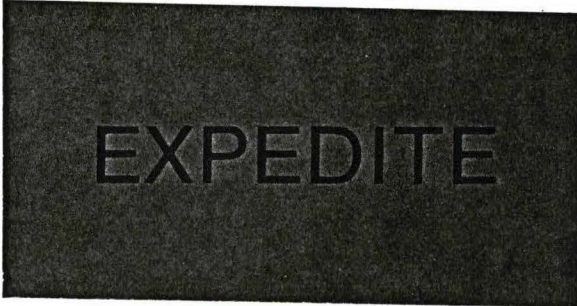
SUBJECT : Forwarding a letter of Daniel Toroitich arap Moi, Pres. of Kenya.
Inv. to attend the Silver Jubilee Independence celeb. on 12/12/88

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- ✓ _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBC's SIGNATURE (by telex)
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :



Per Nicola, will be ready for BBC's sign. on 11/21

TELEPHONE: (202) 387-6101

TELEX NO.: 440215

TELEGRAM: KENYAREP

CABLE: KEMBASO KEW/18/3A/SEC/VOL.3/178

OUR REF. NO.:



EMBASSY OF THE
REPUBLIC OF KENYA
2249 R STREET, N.W.
WASHINGTON, D.C. 20008

November 10, 1988

Mr. Barber B. Conable
President
World Bank
701 19th Street, N.W.
Washington, D.C. 20433

Dear Mr. Conable,

I have the honour to forward herewith a letter addressed to you, from His Excellency Daniel Toroitich arap Moi, President of the Republic of Kenya, inviting you to attend the celebrations to mark the Silver Jubilee of the Independence of Kenya.

Please accept the assurances of my highest consideration.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "D. Afande".

DENIS D. AFANDE
Ambassador

Encl.



STATE HOUSE

P. O. BOX 40530

NAIROBI, KENYA

DEAR MR. CONABLE,

I HAVE THE PLEASURE TO INFORM YOU THAT THE GOVERNMENT AND THE PEOPLE OF KENYA WILL BE CELEBRATING THE 25TH ANNIVERSARY OF OUR INDEPENDENCE ON 12TH DECEMBER, 1988.

I THEREFORE EXTEND AN INVITATION TO YOU TO JOIN US IN THESE CELEBRATIONS, AND HOPE THAT YOU WILL FIND TIME FROM YOUR BUSY SCHEDULE TO BE WITH US DURING THIS AUSPICIOUS OCCASION.

PLEASE ACCEPT THE ASSURANCES OF MY HIGHEST CONSIDERATION.

A handwritten signature in black ink, appearing to read 'Daniel T. Arap Moi'.

DANIEL T. ARAP MOI

PRESIDENT OF THE REPUBLIC OF KENYA

MR. BARBER B. CONABLE,
PRESIDENT,
WORLD BANK,
WASHINGTON D.C.

X
November 21, 1988

Dear Mr. Minister:

I have learned of your reappointment as Governor for Kenya on the Board of Governors of The World Bank. I realize this is incident to your responsibilities in your own Government, but I hope you will again be in a position actively to participate in the affairs of the Bank, as well.

The Executive Directors, Officers and Staff of The World Bank believe very strongly in its development mission and in the battle against poverty. We look forward to continue working with you to make the Bank even more effective during the coming years. Congratulations on your reappointment and thank you for your willingness to take on this additional responsibility.

I look forward to meeting you in the near future, and send my best personal wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

The Honourable
Professor George Saitoti, M.P.
Minister of Finance
Ministry of Finance
P. O. Box 30007
Treasury Building, Harambee Avenue
Nairobi, Kenya

cc: Mr. Funna
Mr. Madavo
Mr. Alizai

ETSanidad:jlk



Record Removal Notice

File Title Country Files: Kenya - Correspondence 01		Barcode No. 1779751		
Document Date 10 November, 1988	Document Type Facsimile			
Correspondents / Participants To: J. S. A. Funna, Executive Director From: C.S. Mbinoyo, Permanent Secretary, Finance, Nairobi				
Subject / Title Expiration of Governor's term				
Exception(s) Communications of Executive Directors' Offices				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date November 01, 2021</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date November 01, 2021
Withdrawn by Sherrine M. Thompson	Date November 01, 2021			

Briefing Note on
KWAHO (Kenya Water for Health Organization)
for Mr. Conable.

Meeting with Mrs. Margaret Mwangola, October 16, 11:30 AM

Mrs. Margaret Mwangola is the Director of KWAHO, a highly successful Kenyan Non-Government Organization (NGO). KWAHO, originally the UNICEF/NGO Water for Health Project, was set up in 1976 by UNICEF and many Kenyan NGOs as a follow-up to the 1975 United Nations Women's Conference in Mexico. Over the years the organization has supported over a hundred water-related projects to help Kenyan women. KWAHO's prime objectives are in accordance with those of the International Drinking Water Supply and Sanitation Decade and are directly aimed at supporting the government of Kenya's efforts to bring safe water close to all its people by the year 2000.

KWAHO'S activities focus on simple, self-help water supplies and sanitation to help Kenyan families improve their way of life and in particular their health. In most projects, women are taking part in planning, implementation and maintenance activities. All projects have strong community development training components.

In the Kwale District, which you visited when you went to Kenya earlier this year, KWAHO is involved in a collaborative program with the Ministries of Water Development and Health and the Handpumps Project of the World Bank-UNDP Water and Sanitation Decade Program. The Kwale program is managed by the Ministries, and the Handpumps project staff provide technical assistance of various kinds. KWAHO's role includes organizing community development activities, and training in appropriate use of low-cost technologies, including health aspects and pump maintenance.

You were presented with a photo-album of your visit to Kwale earlier this year by Mr. Arlosoroff, Manager of the Handpumps Project.

During her visit to the U.S., Mrs. Mwangola will discuss new areas of collaboration with staff of the World Bank/UNDP Water and Sanitation Decade Program in PPR's Infrastructure and Urban Development Department. In addition, she will meet with UNDP and other UN agencies in New York. She will also make a presentation to Bank Staff on October 23 about KWAHO's activities.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

DATE: September 25 1987

TO: Ms. M. Haug, EXC

FROM: C. E. Madavo, Director, AF2DR *CEM*

EXTENSION: 34036

SUBJECT: Appointment for Ms. Margaret Mwangola to see Mr. Conable

1. Mr. James Adams our President Representative in Kenya has in a memo attached hereto recommended that we request an appointment for Ms. Mwangola. I support the recommendation.
2. If an appointment is given we will prepare a briefing note including talking points about one week before the meeting.

Attachment

To be cleared with and cc: Mr. Jaycox

cc: Messrs. Amoako, Hatendi, B. Hetz, Gray.

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION

Washington D. C. 20433

U.S.A.

FORM NO. 1884
(5-86)

FACSIMILE TRANSMITTAL FORM

DATE: September 24, 1987

NUMBER OF PAGES: 2 (Including this page)

FROM: J. W. Adams

Extension _____ Dept./Div., No. _____

TO: COMPANY/ORGANIZATION: Mr. C. Madavo, AF2DR
CITY AND COUNTRY: Room J-9-271
FOR ATTENTION OF:

FAX NUMBER/
MACHINE TYPE:

SUBJECT: Visit to Mrs. Margaret Mwangola

CABLE SERVICES USE ONLY	
MSG. NUMBER:	1271
DURATION OF CALL:	MINUTES

FAX MESSAGE

See my attached memo. Kindly assist in distributing as indicated in the memo.

Thank you.

FACSIMILE MESSAGE
Please forward copy to the appropriate
Information Center as necessary

cc:

Transmission Authorized by: J. W. Adams

RECEIVED
1987 SEP 24 AM 10:27
CABLE SECTION

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FTCC - 82987 WORLDBK; TRT - 197888 WORLDBANK WUI - 64145 WORLDBANK

OFFICE MEMORANDUM

127/2

DATE: September 24, 1987
TO: Mr. C. Madavo
FROM: J. W. Adams *JW*
SUBJECT: Visit of Margaret Mwangola

As I discussed with Messrs. Amoako and Hatendi, Ms. Mwangola is receiving an award from the U.N. Womens Volunteer Association for her work on the Kwale Water Supply Project on October 22 in New York. After that presentation she has been invited by the water group to Washington to make a presentation on the Kwale project within the Bank (Barbara Herz is also involved in this). In discussing her plans with Ms. Mwangola, she indicated a desire to see Mr. Conable again (she arranged his visit to Kwale during his mission to Kenya in February and accompanied him on that visit). I feel this is an excellent idea - he can congratulate her on the award and support our efforts to push the importance of rural water in Kenya. I have briefly discussed this with Mr. Amoako, Ms. Herz and Mr. Gray (who is involved on the water supply side) and they all endorsed this suggestion. In light of this I would like to request that we approach Mr. Conable's office on arranging a short meeting on October 24. I hope we can reach an agreement on this next week so that I can brief Ms. Mwangola on my return to Nairobi on October 8.

cc: M/s Amoako, Carnemark, Arlosoroff, D. Gray, B. Herz, J. Brown

March 17, 1987

Dear Secretary General,

Tenth Conference of Commonwealth Education Ministers
Nairobi, Kenya 20-24 July 1987

I would like to thank you for your letter of February 18, 1987, extending an invitation to our institution to attend as an observer the Tenth Conference of Commonwealth Education Ministers in Nairobi, Kenya, from July 20 to 24, 1987. I have noted with interest that you have chosen "vocationally-oriented education" as the Conference theme. The linkages between the education system and the labor market are indeed central to the long-term development of our member countries.

As we have done in the recent past, we will send a Bank representative to the Conference and I have asked Mr. Aklilu Habte, Director Education and Training Department, to contact directly the Director of the Commonwealth Secretariat's Education Program.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable

Sir Shridath S. Ramphal
Secretary General
Office of the Commonwealth
Marlborough House, Pall Mall
London SW1Y 5HX
United Kingdom

~~A~~ Colliou/sml

Cleared with and cc. Mr. Aklilu (EDT)

cc. Messrs. E. Stern, S. S. Husain, E. Jaycox (o/r)

*Logged out
3/20/87*

March 9, 1987

Dear Mr. Secretary:

It is indeed good to know that you have been appointed Alternate Governor for Kenya on the Board of Governors of The World Bank. Congratulations!

The Executive Directors, Officers and Staff join me in extending to you a warm welcome. We look forward to your participation in the affairs of the Bank.

On a personal note, I hope to have the opportunity of greeting you here in Washington in the near future.

Sincerely,

(Signed) Barber B. Conable

Mr. Charles S. Mbindyo
Permanent Secretary
Ministry of Finance
P. O. Box 30007
Treasury Building, Harambee Avenue
Nairobi, Kenya

cc: Mr. Jembere
Mr. Kraske
Mr. Alizai

ETSanidad: jlk

March 3, 1987

Dear Minister Saitoti:

Having returned to Washington, I wanted to express my appreciation for your role in making my visit to Kenya interesting and informative. I was pleased that the discussions I had with Government, the United Nations organizations and agricultural research institutes based in Nairobi and with the industrialists I met as well as the field trips were so useful in giving me a first hand impression of both national efforts and some of the other development activities going on in Kenya. While the reports I read and briefings I received in Washington are informative, I find there is no substitute for such first-hand experience.

I wish to take this opportunity to commend you and the many Kenyans I met throughout my trip for an admirable commitment to meeting the development challenges which your country faces. This is amply demonstrated by the positive policy framework developed in the Sessional Paper No. 1 of 1986. From the Bank's point of view, the resource needs of your country argue forcefully that we should try to exceed the fairly modest levels of lending achieved over the past few years. To this end, I am gratified that an understanding was reached between us that while the number of well prepared traditional projects should be increased, non-project assistance should also account for an increasing portion of our lending. I should reiterate my view that our ability to respond will depend largely on the Government's capacity to pursue and implement the key policy reforms that were so impressively articulated in the Sessional Paper. The Bank can play an important role in assisting in the analysis underlying such policy reforms and can provide the resources required to ease the cost of reform, but only Government can make the essential political decisions that are central to sustaining economic policy reforms.

You will recall that we spoke at length on a number of specific issues which appear to constrain growth in various sectors. The analytical work that is currently underway with our support in the key sectors - agriculture, industry and population should strengthen the basis for tackling the problems at hand. While there have already been some efforts in improving the policy framework in these sectors, it is clear that issues such as the financial implications of NCPB's commitment to procure and store all grain marketed in the country, the industrial investment climate, and the high population growth rate call for urgent and decisive action.

Mr. Minister, I also wish to express my appreciation for the willingness of your government to host the Safe Motherhood Conference. I felt this was an important and timely effort deserving of all our urgent attention. Modest investments in this area can have a major impact on the health of mothers. I believe the success of the Conference and the interest it generated will provide a base for achieving broad progress in this area. My staff has emphasized to me the key role your officials played in ensuring that the Conference was a success.

In closing, I would like to express my wife's and my own appreciation for the warm welcome and hospitality we received in Kenya. Everywhere we went, in Nairobi and during the field trips, we were well received. I learned a great deal during my all too short stay and believe this trip will make an important contribution to my understanding of the development issues facing Africa. I hope I will be able to visit your beautiful country again and I trust that we will meet again in the near future.

With best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

Professor George Saitoti
Minister of Finance
P.O. Box 30007
Nairobi, Kenya

Cleared with and cc: Mr. Wyss

DNatendi:hyu

March 3, 1987

Dear Mr. President:

Having now returned from "the City in the Sun" to the somewhat cooler climate of Washington, D.C., I wanted to write a brief note expressing my appreciation for the rewarding visit I had in Kenya earlier this month. The preparation and support of the Government officials were excellent and during a relatively short stay I was able to learn a great deal about your country and its impressive development efforts.

I was particularly pleased that your officials and my team were able to reach full agreement on a number of key points. First, there was agreement that the Sessional Paper No. 1 represents a forward looking and appropriate program of policy change that the Bank is prepared to support. Second, there is full consensus that the Government and the Bank should work closely together in an effort directed at increasing the Bank's resource transfer to Kenya. Third, it was agreed that agriculture, transport and industry should be particular area of focus for Bank work. Finally, it was agreed that the Bank would be prepared to consider increased non-project lending in areas where the Government is able to design and implement programs of policy changes directed at facilitating the structural adjustment of the Kenyan economy.

I would also like to take this opportunity to thank you for your personal contribution to the Safe Motherhood Conference. This is an issue which we can and must make progress on - small increases in health expenditure in this area can make an important impact on the wellbeing of mothers. Your willingness to take the time needed to open the Conference was appreciated by myself and all the participants to the Conference.

In closing, I want to express my personal thanks for the warm and friendly reception my wife and I received everywhere we went in Kenya. I will try to visit your beautiful country again in future.

With best wishes.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

His Excellency Daniel T. arap Moi
President of the Republic of Kenya
Harambee House
Nairobi, Kenya

Cleared with and cc: Mr. Wyss

DH:atendi:hyn

OFFICE MEMORANDUM

RI ~~Mr. Stern~~

Mr. Clausen


For information.

DATE : October 28, 1985

TO : Mr. Edward V.K. Jaycox, Vice President, ESA

FROM : K.Y. Amoako, Chief, EAIKU

SUBJECT : KENYA: Meeting of the IMF Board to Consider a Staff Report
for the 1985 Article IV Consultation and Review Under
Stand-By Arrangement

11-7 ES
10/30/85

1. I attended the above meeting, which lasted about two and half hours, on October 21, 1985. Most Executive Directors made statements commenting on the Staff Report. Noting that Kenya had met the targets and performance criteria established under the current program supported by the Fund, the speakers commended the Kenya authorities for their courage in implementing the stabilization program. The successful outcome, it was stressed, was owed considerably to the Government's ability to continually review economic trends and adjust policy accordingly. The speakers expressed their admiration for the timely and effective manner with which the Government had handled the drought emergency and minimized its budgetary effects.^{1/}

2. With the support of Fund programs, the stabilization effort undertaken since 1980 has resulted in significant reductions in the budgetary and balance of payments deficits, domestic credit expansion and inflationary pressures. While agreeing that this was an impressive record, many speakers expressed their concern with the lagging trend in economic growth in the present decade. The Kenyan authorities were urged to move quickly and forcibly to tackle the remaining structural constraints to development. In this regard, the speakers noted with satisfaction that the Bank was engaged in active discussions with the authorities on various sectoral operations which will be addressing those structural constraints in respective sectors. //

3. The high rate of population growth was identified by several speakers as the issue of greatest concern, diming Kenya's economic prospects. Although real GDP in 1985 is projected to increase by 4.0 percent -- compared to 0.5 percent in the previous year -- one speaker noted that this would leave per capita income unchanged. Speakers also expressed concern over the fact that the budgetary adjustment attained so far required substantial reduction of government expenditure, particularly

^{1/} In order to take account of the budget implications of the drought, the current program was framed around a 1984/85 budget with an overall deficit of 5.1 percent of GDP. The actual out-turn is presently estimated at 5.0 percent of GDP.

in the development program. This was reducing the efficiency of government operations and dampening the prospects for economic growth. On the other hand, the revenue effort of the Government has been less than satisfactory in recent years: the revenue/GDP ratio declined from 24.6 percent in 1981/82 to 22.1 percent in 1984/85. Another area deserving urgent action on the part of the Government, some speakers felt, is export performance. In this regard, one speaker, while noting that Kenya's flexible exchange rate policy has prevented the real effective exchange rate from appreciating in the last three years, still wondered whether a significant amount of devaluation would not be required to increase Kenya's export competitiveness. The same speaker urged the Kenyan authorities to speed up the pace of import liberalization in order to increase the efficiency of resource use in the industrial sector and to remove the bias against agricultural production and exports. She also felt that the Government could do more to encourage the private sector. In this context, she found the declining trend of direct private investments as well as the slow progress in the restructuring of public enterprise disturbing. The same speaker and two others referred to an observation in the Staff Report that the authorities had intervened actively to limit credit availabilities to the private sector in order to assure that the end of June 1985 credit ceiling would be observed. The staff was invited to comment on this.

4. The staff replied that credit to the private sector had been difficult to program because it had been difficult to gauge the margin of overperformance by the Government. As a further precaution credit to the private sector had been held below the ceilings. With increased demand for private sector credit, the Kenyan authorities, staff added, have agreed to give more careful allocation to available credit resources. In response to the other comments made by the Executive Directors, the staff:

- (a) agreed that a larger revenue effort is required on the part of the Government. Improved tax administration, especially of sales taxes and an increase in the excise tax on petroleum are likely measures;
- (b) stressed that the Government recognizes the problem of parastatal inefficiency, but the remedy of divestiture was proving politically difficult to implement. On the other hand, in the last few years, the monitoring of public enterprises had improved, and there has been a substantial reduction in transfers provided from the budget;
- (c) suggested that the recent growth in non-traditional exports represented an adequate level of competitiveness. Factors such as insufficient working capital, the absence of export insurance schemes and transportation difficulties were major constraints to exports.

5. I was asked to comment on Kenya's family planning programs and the Bank's role. I replied that past efforts to provide family planning services have been limited and education and information programs to motivate couples have been inadequate. Through two lending operations our strategy to date has been simultaneously to extend the availability and

quality of family planning services and programs addressed at the demand generation. I added that a third project under preparation would, in addition to finishing the task of incorporating family planning into all health care facilities, place emphasis on providing responsive planning services in urban areas, where the bulk of any existing demand for contraception is to be found. I also said that there is now a strong commitment at the highest political levels in Kenya to improving family planning programs.

6. I was also asked to comment on the Government's budget rationalization efforts and the assistance that the Bank was giving to the Government. I replied that the program of rationalizing public expenditures aimed at improving the efficiency of Government, lowering the capital output ratio in government investments and improving the forward budget procedures has our strong support. I added that we have so far assisted the Government in these efforts in the Ministry of Agriculture with technical assistance and that the nature and content of the Bank's future support was currently under discussion with the Government.

7. A number of speakers spoke out on the subject of Bank/Fund collaboration. One felt that the Staff Report could have contained more information on the Bank's programs in Kenya and on its assessment of development strategy. The staff replied that it endeavors to present more fully the Bank's position only on issues where there are major disagreements between Bank and Fund staff. In the case of Kenya, however, this was not the case. The possible exception, he added, was on the issue of the adequate level of the exchange rate. Studies currently under way on the trade regime would allow Bank and Fund staff to engage in a meaningful dialogue on this subject in the near future. I agreed with this assessment.

8. Towards the end of the discussions, Mr. Abdallah made an interesting observation on Fund/Government relations on the one hand and Bank/Government relations on the other. He said Fund staff have established a very good rapport with the Government and that the staff's advice is actively sought by the authorities. In the past, he continued, relations between the Bank staff and the Government officials were based on mutual suspicion. He was pleased to note, however, that the situation had improved markedly due in part to recent staffing changes that the Bank had made and in part to the efforts of some Executive Directors including himself. On Bank/Fund collaboration, he stated that a total concurrence of views between staff of the two institutions was not always in the best interest of member countries. Where a genuine difference of opinion exists, Management and the Board of the two institutions should not insist on a common position.

cc: Messrs. Stern (SVPOP-E1227); Husain (OPSVP-E1023); Dubey (CPD-N538); Gulhati (ESAVP-B1210); Kraske, Greene (EA1DR-A-1013); Adams (RMESA); Kenya Country Team

KYAmoako:jc

OFFICE MEMORANDUM

Mr. Clausen

DATE : July 31, 1984

TO : Files

FROM : David A. Dunn, Chief, EA1EA

*DA Dunn*SUBJECT : Mr. Clausen's Meeting with President Daniel arap Moi of Kenya in Nairobi on July 10, 1984

File please

1. President Clausen met with President Moi at 11:30 a.m. on July 10, 1984. Messrs. Loos and Dunn also were present. On the Kenya side participants included Vice President Kibaki, the Minister of Finance and Planning Professor Saitoti, the Minister of Energy and Regional Development Mr. Biwott, the Governor of the Central Bank Mr. Ndegwa, the Permanent Secretary in the President's Office Mr. Nyachae, the Permanent Secretary of Finance and Planning Mr. Mule, and the Permanent Secretary of Foreign Affairs Mr. Kiplagat.

2. President Moi welcomed President Clausen to Kenya again, and thanked him for the assistance of the Bank Group in the past. He noted that his Government was now facing two major problems: the most serious drought in many years; and difficulties in financing development expenditures and implementing projects caused by the conservative budgetary policies necessary to deal with the current economic environment. President Moi raised three particular points for Mr. Clausen's attention. First, the problems caused by the prevailing drought in Kenya and the neighboring countries demonstrated the problems that a "free market" in grain would create. The Government had instead created a new grain producers cooperative which would solve the problem of excessive centralized control and ensure the effective and timely purchase from and payment to the farmers. This should satisfy the structural adjustment loan conditionality. Second, the Government would have to exhaust its foreign exchange reserves and even borrow on commercial terms in order to import food, so a third Structural Adjustment Loan (SAL) was required immediately. Third, the education sector was not an appropriate vehicle for IBRD lending and thus the proposed sixth operation should receive IDA funds instead.

3. Responding to the third point, Mr. Clausen said that IDA funds were limited and the allocation of the inadequate resources was a difficult task. The Bank Group's main criterion in doing this was the effectiveness of the policies of a country. Although every effort was being made to raise more IDA resources including a special supplement, the prospects were not good. Nevertheless, a special action program for Africa was being developed. President Moi replied that there would be more funds available for project purposes if the Bank did not insist on the use of foreign consultants which were very costly. Also, he said, large integrated projects caused delays and tied up money unnecessarily. President Clausen agreed with the last point and noted that the Bank had taken the initiative to disaggregate the Integrated Agricultural Development Projects in Kenya.

On technical assistance, Mr. Clausen agreed that need should be assessed carefully and the availability of local consultants should be considered. However, what was important was that adequate technical assistance was available to speed up project implementation.

4. President Moi then turned to the purpose of Mr. Clausen's visit which resulted from an invitation from the Government to address the National Leaders' Seminar on Population and Development. President Moi said that in having a dynamic program and in creating the National Population Council, which Vice President Kibaki chaired, Kenya had taken the lead in this field in Africa. A key feature of the Government's program now was to keep women in school longer in order to lower fertility during childbearing years. His own investigations indicated that girls who did not continue their education beyond primary school would tend to have four or five children by the age in which they would have completed their secondary schooling. On the theme of population, Vice President Kibaki pointed out that he had already mentioned to Mr. Clausen that the Government wished to establish clinics for family planning only, i.e., which were separate from the health clinics, since in the integrated clinics delivery of family planning services tended to have the lowest priority.

5. The Vice President then returned to the topic of the need for the third SAL. Mr. Clausen said that the speed of processing of a possible third operation would depend in the first instance on performance of policies already agreed under the first and second SALs. At this point, Governor Ndegwa suggested that future structural adjustment programs should not be too ambitious. Previous programs had included too many disparate components. Also, the time horizon for carrying out agreed policies should be more realistic. Mr. Clausen stressed the fact that structural adjustment lending was not balance of payments lending but was lending in support of agreed programs to deal with structural problems through improved policies. He referred specifically to two areas of the previous SALs where Government performance was not yet complete: grain marketing and trade policy.

6. President Moi asked President Clausen why the Bank was insisting on the free marketing of grain. President Clausen said that the underlying justification for a liberalized system was that competition builds efficiency, and asked Mr. Dunn to elaborate on the Kenya situation. Mr. Dunn said that the Bank's position was that liberalization would promote a more efficient marketing system through the introduction of a degree of competition as compared with the existing monopoly. NCPB as presently operated was inefficient as reflected by its losses which had to be met from the Government budget. The introduction of a mixed system, including licensed traders, would promote cost effectiveness. President Moi responded that the Government could not tolerate a system under which middlemen would make large profits at the expense of the poor people - both

farmers and consumers - of Kenya. Also, the Government had to control the grain trade in order to prevent smuggling.

7. There followed a slightly disorderly discussion of this subject during which Vice President Kibaki, Minister Biwott, Governor Ndegwa, and Permanent Secretary Nyachae participated on the Kenya side. The following is the gist of the arguments presented. Grain marketing was a sensitive issue in Kenya and carried especially emotional overtones from the past. Middlemen were motivated by their interest in maximizing their profits at the expense of consumers and producers. It was impractical to have a free market system in Kenya since the private traders were unlikely go into 75% of the country, either to procure or to distribute food. The Government would, therefore, have to continue to market grain in three-fourths of the country. The Government could not abandon its responsibility to provide food security nor to apply price controls which ensured low cost food for the population. There was in fact no country where a complete free market operated and where there were no controls on prices or distribution.

8. In reply, the Bank staff made the following points. The Government's consultants' report (which the Bank in general supported) did not advocate a complete free market system, but rather a mixed system with the introduction of some licensed traders into a system where NCPB and other institutions would continue to have a role. Specifically there would be a food security system operated by NCPB. NCPB would be a buyer and seller of last resort to maintain control over prices.

9. The discussion revealed that there seemed to be a misunderstanding of the Bank's position on the part of the Kenyan authorities. However, it was clear that even if the position were understood, President Moi was opposed to any change in the system which would give an increased role to the private traders.

10. In conclusion, both President Moi and President Clausen expressed their satisfaction at the openness of the discussion and reiterated that the relationship between the Bank and the Government had been strong and friendly in the past and should continue to be so in the future. The ability to have such a frank discussion of the issues was a sign of this good relationship.

Cleared with and c.c.: Mr. Loos, RMEA
C.c.: Messrs. Clausen, Jaycox, Kraske, Thomas, McBride, Kwaku, Jones,
Ibrahim;
Ms. Wardle

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