Folder Title:	Country Files: Kenya - Correspondence 02
Folder ID:	1774958
Series:	Country Files
Dates:	09/01/1981 - 12/01/1983
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-09-3965S
Digitized:	11/10/2021

Clausen's - Country Files: Kenya

vol 2

1662

Original to Mr. Ibekwe sent pl. RI

REPUBLIC OF KENYA

MINISTRY OF FINANCE AND PLANNING

Telegraphic Address:
FINANCE-NAIROBI
Telephone: 338111
When replying please quote
Ref. No. CONF.65/02
and date

THE TREASURY
P.O. Box 30007
NAIROBI
KENYA

18th November, 1983.

Mr. A.W. Clausen,
President,
The World Bank,
Washington, D.C. 20433,
U. S. A.

Dear Mr. Clausen,

Thank you very much, indeed, for your letter dated 9th November, 1983 extending support and good wishes on my joining the Board of Governors of the World Bank.

I would like to assure you that I look forward to maintaining the cordial relationship that has existed between the World Bank and this country, and that I will always be available for whatever advice or assistance that I may be asked to offer.

Yours sincerely,

PROF. G. SAITOTI
MINISTER FOR FINANCE AND PLANNING

November 9, 1983

Dear Mr. Minister:

It is indeed good to know that you have been appointed 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,

A. W. Clausen

The Honourable
George Saitoti
Minister of Finance and Planning
Ministry of Finance and Planning
P. O. Box 30007
Nairobi, Kenya

cc: Mr. Smith
Mr. Kraske
Mr. Alizai

ETSANIDAD:raa

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

A. W. CLAUSEN
President

October 11, 1983

Dear Mr. Ambassador:

Thank you for your recent letter. It was nice hearing from you.

Unfortunately, I am not able to comply with your request to write President Arap Moi. In my position as President of The World Bank, I am precluded from making any attempt whatever to influence any member governments in their selection of Executive or Alternate Directors. I am sure you understand the reason for this. However, my colleagues and I are very aware of the strong support you gave IDA when you served your government here in Washington and we are most grateful to you.

Every good wish to you for the future.

Sincerely,

AWC

His Excellency John P. Mbogua
Ministry of Foreign Affairs
P. O. Box 30551
Nairobi, Kenya

Tom:

Willi says this is a sensitive issue and we should ignore the letter. He said if the topic ever came up in a conversation "you could mention that you are aware that Ambassador Mbogua is interested in the job"

Roy

Helen does this make sense

NO-H

FORM NO. 709
(8-73)

WORLD BANK GROUP

ROUTING SLIP	DATE September 26, 1983

FROM THE REGIONAL VICE PRESIDENT

NAME	ROOM NO.
Mr. Roy Southworth	E1227

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

REMARKS

Roy: I don't think it would be (i) appropriate and (ii) helpful to Mbogua for Mr. Clausen to write. We have already communicated with the Kenya Government, including the President, about Mbogua's efforts on behalf of IDA. The politics in Kenya are clearly against him. However, a casual mentioning at appropriate occasions may be indicated.

FROM

W. A. Wapenhans

FORM NO. 89
(2-83)

1157

THE WORLD BANK

ROUTING SLIP	Date Sept.21/83

OFFICE OF THE PRESIDENT

Name	Room No.
Mr. Wapenhans	

	To Handle		Note and File
	Appropriate Disposition		Prepare Reply
	Approval		Per Our Conversation
	Information		Recommendation

Remarks

Your recommendation, please ?

Roy Southworth

Roy - I don't think it would be (i) appropriate and (ii) helpful to Aboagye for his Minister to write. We have already communicated with the Kenya Govt. including the President about Aboagye's efforts on behalf of IDA. The politics in Kenya are clearly against him. However, a carefully worded mention of appropriate occasions may be indicated. 9/25 WS.

From

68

Telegrams: "FOREIGN", Nairobi
FOREIGN AFFAIRS
HARAMBEE AVENUE
Telephone: Nairobi 334433
Telex: Nairobi 22003
When replying please quote
Ref. No. JPM/PERS.
and date

1157

MINISTRY OF FOREIGN AFFAIRS
P.O. BOX 30551
NAIROBI
KENYA

23rd August, 83.

Mr. Clausen,
President,
World Bank.

Dear Mr. Clausen,

This is a short note to let you know that I am interested in applying for the position of Alternate Executive Director at the World Bank, a position which Kenya should hold beginning October 1984.

I wonder whether it will be possible to count on your support by perhaps writing to my President to inform him of the work I did for I.D.A. recently.

I realise that the choice of an Alternate Director lies entirely on the Kenya Government. But an acknowledgement from you of some of my contributions would carry some weight when the decision is made on the matter.

I am attaching hereto my carriculum vitae as well as a recent note written by the Vice-President of the United States, Hon. George Bush which highlights some of the work I did while in Washington.

Kind regards,

(J.P. MBOGUA).

Enclosure

MINISTRY OF FOREIGN AFFAIRS
P.O. Box 30551
NAIROBI
KENYA

Telegrams: "Foreign", Nairobi
Foreign Affairs
Harambee Avenue
Telephone: Nairobi 334433
Telex: Nairobi 22003
When replying please quote

Ref. No. JPM/PERS.
and date

23rd August, 1983.
....., 19.....

Mr. Clausen,
President,
World Bank.

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Kind regards,

(J.P. MBOGUA).

Record Removal Notice

The World Bank Group Archives & Records Management

File Title		Barcode No.
Country Files: Kenya - Correspondence 02		1774958
Document Date	**Document Type**	
c. August 1983	CV / Resumé	

Correspondents / Participants

Subject / Title
Ambassador John Peter Mbogua

Exception(s)
Personal Information

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.

Withdrawn by	Date
Sherrine M. Thompson	October 22, 2021

THE VICE PRESIDENT
WASHINGTON

May 19, 1983

His Excellency John P. Mbogua
Ambassador of Kenya
2249 R. Street, N.W.
Washington, D.C. 20008

Dear Mr. Ambassador:

I have been informed of the possibility that your tour as Ambassador of Kenya in Washington may be concluded sometime this year, and I want to be sure to be among those who express our appreciation for the superb job you have done, and are doing.

Especially while my friend President Moi has been serving so well as Chairman of the OAU, you have served the broadest African interests in supporting his leadership here in the United States. Your demarches on behalf of IDA-VI replenishment and UNEP have been of great help to both the Administration and the Congress in our favorable consideration of these issues. Your strong and persistent efforts to explain Kenya's assistance needs to members of Congress have also been helpful to the Administration's program--both for Kenya and, by example, for other African countries.

I recall your hard and successful work in preparation for both President Moi's visit to the United States in September, 1981 and my visit to Kenya in November, 1982. Both occasions were tremendously successful, as befits the close friendship between our nations. I give much of the credit for the smooth daily functioning of this important relationship to President Moi's fine representation here in Washington.

I trust that our paths will cross again soon in Washington or Nairobi, but in any case I wanted to be sure to express my personal respect and thanks for your great contributions to a very important friendship.

Sincerely,

George Bush

MARK O. HATFIELD
OREGON

United States Senate
WASHINGTON, D. C.

July 1, 1983

Dear Mr. Ambassador:

It is with regret that I received your letter of June 21st confirming the rumor that you were returning to Kenya. I shall miss you.

Your counsel and the help of your embassy in preparation for my trip to Kenya was invaluable. The memories of my stay there are very vivid, and I trust that there might be an opportunity for me or some of my staff to be in touch with you in the future. It is good to know that our Lord has a "purpose in place" for each of us. I trust that your ministry of administration and goodwill will continue to find a fruitful outlet in Nairobi.

Please keep in touch and allow me the privilege of being of support to you in any way possible.

Warm regards.

Sincerely,

His Excellency J. P. Mbogua
Ambassador
P. O. Box 47624
Nairobi, KENYA

ASSISTANT SECRETARY OF STATE
WASHINGTON

June 22, 1983

Dear John:

Please accept my personal congratulations for the fine job you have done as President Moi's representative in Washington. We in the African Bureau have appreciated the immense skill and dedication which you brought to your job as Ambassador. Your leadership within the African diplomatic corps in Washington will also be greatly missed.

I wish you every success in your future endeavors, and hope that the experience and expertise you have gained during these past six years will continue to further the friendship between our two countries.

Sincerely,

Chet Crocker

Chester A. Crocker

His Excellency
John P. Mbogua,
Ambassador of Kenya,
Washington, D.C.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

1636

TO: Mr. A.W. Clausen, President DATE: November 10, 1982
THROUGH: Mr. Ernest Stern, SVPOP
FROM: Willi A. Wapenhans, RVPEAN

SUBJECT: Meeting with the Honorable Arthur Magugu, Minister of Finance, Kenya (11:00 a.m. Thursday, November 11, 1982)

1. We understand that your meeting with Mr. Magugu is a courtesy call. You will recall first meeting Mr. Magugu during your November, 1981 visit to Kenya when he escorted you on a visit to the Maragua Rural Health Training Center in his capacity as Minister of Health. He was appointed Minister of Finance in a February 1982 Cabinet reshuffle and you met him subsequently in Helsinki and during the last Annual Meeting.

2. Mr. Magugu and his delegation are in Washington with the primary purpose of pursuing the negotiation of a new Standby Arrangement with the Fund. Kenya is not able to draw under the current Standby because of the Government's inability to remain within the domestic credit ceiling. The issues will probably not be resolved entirely during the current visit, but you may wish to enquire from the Minister how he feels the negotiations are progressing.

3. We would particularly like you to raise one matter; the question of the Eastern African Community mediation. As you know, the mediation work in East Africa under the auspices of the Bank as executing agency has come to a halt. This is due to Kenya's unwillingness to attend any further mediation meetings with Tanzania. Although no official reason has been given for their refusal it is obviously because of Tanzania's rejection of the Kenyan request to extradite two participants in the August 1 uprising; a rejection which has apparently hurt and embittered the Kenyans, especially President Moi.

memo attached

4. At the request of Victor Umbricht, the Mediator, on October 7 you addessed a telex to the three Heads of State concerned (Kenya, Tanzania and Uganda) referring to the cancellation of the ministerial meeting to have been held in Entebbe in September, the proposal of the Mediator to visit each partnerstate in November in an attempt to bring mediation to a positive conclusion and the importance the Bank attaches to successful completion of this exercise.

attached

5. Mr. Magugu is not directly involved. The Minister in Kenya who is responsible is the Minister of Economic Planning and Development. Nevertheless, Mr. Magugu is a senior Cabinet member, a prominent politician and a confidante of the President; and we would like you to reiterate the Bank's concern. Kenya's intransigent position will prevent a settlement of the question of EAC assets and liabilities which constitutes an indispensable precondition for future cooperation in the Region and would provide a stimulus for economic progress in the three countries involved. Moreover, a settlement would allow consideration of important regional projects and facilitate a continued flow of assistance by the international aid community. As executing agency for the mediation the Bank has a

special interest in its successful completion. Please urge the Kenyan Government to respond positively to the initiatives of the mediator.

Structural Adjustment

6. We will be discussing with the delegation Kenya's progress in meeting the conditions for release of the second tranche of the Second Structural Adjustment Loan and Credit. The main conditions to meet by March, 1983, are discussed below. A mission to discuss progress will visit Kenya in the first quarter of 1983.

(a) Rationalization of the System of Industrial Protection. The Government is to reduce the use of quantitative restrictions on imports; 20% of the items presently restricted will be shifted to a unrestricted Schedule 1 each year; the first 20% was moved in June, 1982, as agreed.

(b) Incentives to New Industries. To correct the deficiencies of the old system of tailor-made concessions for new projects the Government is to establish guidelines to rationalize incentives for industries.

(c) Population. The Government has established a new agency, the National Council on Population and Development, for the purpose of coordinating information and education efforts addressed at reducing family size norms. However, all of the members of the Council have not as yet been appointed.

(d) External Borrowing. External borrowing plans are to be prepared for each fiscal year. The Plan for calendar year 1983 will be discussed with Bank staff in the forthcoming year.

(e) Agricultural Pricing & Marketing. There will continue to be an exchange of views between the Bank and Government to ensure that the technical guidelines for price recommendations are being followed.

(f) Grain Marketing & Storage. The Government will undertake a study to consider the full range of options from the present de jure Government monopoly to systems which involve minimal intervention. Consultants have not been selected as yet, and it is highly unlikely that decisions will be taken by the March 1983 deadline.

You should underline the fact that the release of the second tranche and, indeed, the prospect for any further structural adjustment operation in Kenya is dependent on these conditions being met in full. As of now, it seems inevitable that the release of the second tranche will, at the least, be seriously delayed. There is an urgent need for the Ministry of Finance to monitor performance closely and to ensure timely compliance.

DMIThomas:mlh

Biographical Sketch

The Honorable Arthur K. Magugu

Minister of Finance

Born in Kiambu in 1935. Aurthur Magugu received his primary and secondary education locally, and then studied abroad. He received a Bachelors of Arts Degree from La Verne, California, USA, and a diploma and a Master's Degree from the University of Stockholm, Sweden. He entered Government service in 1966 as an Estates Manager under the Ministry of Lands and Settlement but resigned on his election as MP for Githunguri in 1969. From 1974-1979, he was assistant Minister of Finance and Planning and from 1979 to 1981 held the portfolio of Health. He became Minister of Finance in the February 1982 Cabinet changes, taking over the portfolio from the Vice President.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen

DATE: November 10, 1982

FROM: Hans A. Wuttke

SUBJECT: KENYA - Your meeting with the Honorable Arthur K. Magugu, Minister of Finance of Kenya on Thursday November 11, at 11:00 a.m.

IFC's relationship with the Government is excellent and we expect to maintain a dynamic program in Kenya.

The IFC portfolio in Kenya is substantial, involving 10 investments of which 4 were made in FY82. As of September 30, 1982, total investments and approvals for IFC's own account were $45.5 million representing 2.3% of IFC's total portfolio. Details are given in Annex I.

IFC is developing a number of business opportunities in this country and has an active project pipeline. Some of the more important projects which we are currently pursuing are described below.

I. Mombasa Refinery

IFC and IBRD are cooperating to support a major project for modifications to the Mombasa Refinery to maximize the yield of higher value products including middle distillates. As presently designed, the crude yields an excessive amount of fuel oil with consequent foreign exchange loss to the country. Given the commercial nature of the project and a significant private sector ownership (50%) of the Mombasa Refinery, IBRD and IFC have mutually agreed that IFC will put together a financial package comprising, as far as possible, IFC's own funds including commercial banks' participations and export credits without requiring Government guarantee. The Bank would then participate to fill any gap in the financing. Project cost could be around $150 million.

In order to prepare for the main project and to optimize the design of refinery modifications, IBRD is considering loans totalling $7.25 million to the Mombasa Refinery to finance engineering studies for the above modification and to the Government for technical assistance to the Ministry of Energy and some energy efficiency measures for some of the oil consumers. IFC is also associating itself with this preparatory work and, during FY83, is planning a $3.25 million loan to the Mombasa Refinery for enhancement of energy efficiency.

II. Magadi Soda Ash

For many years, ICI has been considering a major expansion project costing some $90 million to produce some 250,000 tons of fluoride free soda ash for export. A pilot plant was recently successfully completed. However, ICI recently informed the Government that it was delaying implementation of the main project for 2-3 years due to the worldwide soda ash supply overhang. Meantime, Magadi is exploring the Far East export market for crushed refined soda ash for the steel industry. IFC has agreed to consider supporting this project pending renewed work on the main expansion.

III. PVC Resin

A major project for replacing PVC Resin imports by local production is under consideration. Government have requested IFC's views before they would give an approval for the project. The technical sponsor is the Birla Group of India which is already the partner of the Government and IFC in the Panafrican Paper Mills project. IFC has had several discussions with the technical sponsor and has made several comments on project's concept and scope. These have now been substantially revised and the project cost brought down. IFC is reviewing the new information and expects to give its views to the Government in the near future.

IV. Tannery

IFC is in an advanced stage of appraising a Tannery project for export. We expect to submit this project for Board consideration in early 1983.

Apart from the above, IFC is looking at a number of agro-based projects for processing pineapples, fruits, and vegetables for export. It is also reviewing some poultry projects and is considering a loan for the Development Finance Company of Kenya in which IFC is already a shareholder.

cc: Mr. Wapenhans
Mr. Alizai

MAKAlizai/JKassum:ed

KENYA

Summary of IFC's Existing Investments

	Amount Held by IFC --US$Millions Equivalent--		
	Loan	Equity	Total
Bamburi Portland Cement Company	4.4	-	4.4
Development Finance Company of Kenya	-	1.3	1.3
Diamond Trust of Kenya	-	0.9	0.9
Industrial Promotion Services (Kenya)	-	0.7	0.7
Kenya Commercial Bank/KCFC	6.0	-	6.0
Kenya Hotel Properties	2.0	0.7	2.7
Panafrican Paper Mills	13.8	4.5	18.3
Rift Valley Textiles	5.3	2.8	8.1
Tetra Pak Converters	2.2	-	2.2
Tourism Promotion Services	0.9	-	0.9
	34.6	10.9	45.5

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

file

1338

TO: Mr. A.W. Clausen, President

THROUGH: W.C. Baum, CPSVP

FROM: Jochen Kraske, Act.RVP EAN

DATE: July 20, 1982

CONFIDENTIAL

SUBJECT: Interrogation of Staff Member in Nairobi

This is to bring to your attention an incident which occurred recently in Kenya involving the interrogation by Special Branch officers of one of our staff members. Mr. Loos has formally protested to the Kenyan Government; a copy of his letter is attached. I have asked Mr. Abdulai to express our concerns to the Kenyan authorities and to press for a satisfactory response; copy of my memorandum to him is also attached. We will inform you when we hear from the Kenyans. I do not think any further action is necessary at this point.

Attachments

cc: Messrs. Stern o/r
Wapenhans o/r
Golsong, Doud, LEG
Loos, RMEA
Dunn, EA1DA

JKraske:ad

N2

June 24, 1982

The Hon. Robert Ouko
Minister for Foreign Affairs
Harambee House
Harambee Avenue
Nairobi

Dear Mr. Minister:

It is with considerable regret that I find it necessary to draw your attention to a most flagrant and deplorable breach on the part of a branch of your Government of the immunities and privileges conferred on the World Bank by its Articles of Agreement.

Briefly stated the facts are these: Mr. Tigani Ibrahim, who is a Sudanese national and a full-time employee of the World Bank in Washington, arrived in Kenya yesterday morning from London. He is here on official business and in that capacity is travelling with his United Nations Laissez-Passer. From the airport he proceeded to the Hilton Hotel where he registered and checked into his room. Several hours later, while he was lunching in his room with a fellow World Bank staff member, he was summarily interrupted by the entry into his room of four persons who said they were from the Special Branch, together with two Hilton Hotel security personnel, and who proceeded to search Mr. Ibrahim's luggage. They then stated that Mr. Ibrahim was to come with them to Special Branch Headquarters for questioning but refused either (a) to provide any identification in support of their assertion that they were from the Special Branch; (b) to produce any authority for their search; (c) to state on whose authority Mr. Ibrahim was to be taken to Headquarters; or (d) to give any indication of the nature of the enquiry. During their search, the officers took possession of Mr. Ibrahim's Sudanese passport and United Nations Laissez-Passer.

Fortunately, as I have said, another staff member was with Mr. Ibrahim and she notified me of the situation whereupon I immediately went to Mr. Ibrahim's room at the Hilton Hotel accompanied by other members of my staff. In due course we were joined by our advocates whom we had contacted. During this period, we received no cooperation whatsoever from the two Special Branch officers who remained and who continued to be totally uncommunicative as to why they were there and what they required Mr. Ibrahim for. They absolutely refused to listen to anyone who attempted to point out that by virtue of the Bank's Articles of Agreement certain immunities and privileges applied to Mr. Ibrahim - in particular immunity from search and seizure (See Article VII, Section 4 which is repeated in the Schedule to the Bretton Woods Agreement Act, Chapter 464 of the laws of Kenya). It was with considerable reluctance on their part and only on my insistence that they allowed me to try to contact someone in authority in your Government by telephone to apprise them of this matter and seek their assistance in resolving it.

.../2

N3

The attitude of the Special Branch officers was, to put the best construction on it, offensive. In an attempt to difuse the situation, it was agreed that Mr. Ibrahim would go to Special Branch Headquarters accompanied by myself, certain members of my staff and our advocates. Once at Special Branch Headquarters, we were told that Mr. Ibrahim would be questioned alone, but our advocates insisted that at least one of them was entitled to be present and, in the event, the interview of Mr. Ibrahim with a more senior officer of the Special Branch took place in the presence of one of our advocates. There they were told that it was a case of mistaken identity and an oral apology was offered. It was then pointed out to the officer that substantial breaches of immunity had occurred and that the general law of the land had, in many material particulars, been deliberately flouted by those charged with the maintenance of law and order. While this was acknowledged by the officer, it still remains that Mr. Ibrahim suffered considerable personal indignity, pain of mind and embarrassment as a result of this incident. It was also an affront to the World Bank because I personally vouched for the fact that Mr. Ibrahim was a World Bank staff member on an official mission to Kenya, but to no avail.

I must protest in the strongest possible terms at the events which took place yesterday and at the conduct of the Special Branch officers concerned. I am sure you will understand why we take a very serious view of this matter. We wish to have an assurance that effective steps are being taken to prevent a recurrence of incidents of the nature referred to above, which we would hope were merely an aberration.

Yours sincerely,

David Loos
Director
Regional Mission in
Eastern Africa

cc: The Hon. A. Magugu
Minister for Finance

Mr. S. Nyachae
Office of the President

Mr. Kanyoru
Head of Special Branch

Record Removal Notice

The World Bank Group Archives & Records Management

File Title		Barcode No.
Country Files: Kenya - Correspondence 02		1774958
Document Date	**Document Type**	
20 July, 1982	Memorandum	

Correspondents / Participants
To: Y. S, M. Abdulai, EDS
from: Jochen Kraske, Act. RVP EAN

Subject / Title
Interrogation of Staff Member in Nairobi

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.

Withdrawn by	Date
Sherrine M. Thompson	October 22, 2021

Typewritten Character Must Fall Completely In Box!

PAGE 1 OF 1

EXTENSION 72491

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

TO:

BOOK OF THREE (SEE ATTACHED TEXT)

(1) H.E. D.T. ARAP MOI
PRESIDENT (KENYA)
RAIS
NAIROBI, KENYA

(2) H.E. M.J.K. NYERERE
PRESIDENT (TANZANIA)
CABINET
DAR ES SALAAM, TANZANIA

(3) H.E. A.M. OBOTE
PRESIDENT (UGANDA)
TLX 69186 (FINANCE)
KAMPALA, UGANDA

END OF TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

DATE: 10/07/82

SUBJECT: EAC

DRAFTED BY: V. Umbricht

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): A.W. Clausen, President

DEPARTMENT:

SECTION BELOW FOR USE OF CABLE SECTION

CHECKED FOR DISPATCH

DISTRIBUTION: WHITE — File Copy WHITE — Transmittal Copy CANARY — Bill Copy BLUE — Originator to Keep

1. Use OCR B210 Sphere and set typewriter for DOUBLE SPACING — No other markings acceptable
2. Align First Characters at Line Number 1

ORTANT — PLEASE READ INSTRUCTIONS BELOW BE TYPING FORM

Typewritten Character Must Fall Completely in Box!

PAGE 1 OF 2

EXTENSION 72491

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

TO:

THE MEDIATOR FOR THE FORMER EAST AFRICAN COMMUNITY, DR. VICTOR UMBRICHT, HAS INFORMED ME OF THE DIFFICULTIES WHICH HAVE RECENTLY ARISEN IN THE CONTEXT OF THE MEDIATION EXERCISE AND WHICH HAVE LED TO CANCELLATION OF MINISTERIAL MEETING IN ENTEBBE ON 24 SEPTEMBER, AND OF OTHER PLANNED MEETINGS. HE ALSO TOLD ME THAT HE INTENDS TO PAY A VISIT TO EACH PARTNERSTATE, IN FIRST HALF NOVEMBER TO REVIEW SITUATION AND TO PREPARE ARRANGEMENTS WITH CONSENT OF ALL THREE GOVERNMENTS FOR BRINGING MEDIATION TO A POSITIVE CONCLUSION.

WE WOULD DEEPLY REGRET IF THE MEDIATION EXERCISE WERE TO FAIL AFTER THE INTENSIVE EFFORTS AND SUBSTANTIAL PROGRESS ALREADY MADE.

A SETTLEMENT OF THE QUESTION OF EAC ASSETS AND LIABILITIES APPEARS TO US TO CONSTITUTE AN INDISPENSABLE PRECONDITION FOR THE FUTURE COOPERATION IN THE REGION AND WOULD PROVIDE A STIMULUS FOR ECONOMIC PROGRESS IN THE THREE COUNTRIES INVOLVED. MOREOVER, IT WOULD ALLOW CONSIDERATION OF IMPORTANT REGIONAL PROJECTS AND FACILITATE CONTINUED FLOW OF ASSISTANCE BY THE INTERNATIONAL AID COMMUNITY.

FINALLY, AS EXECUTING AGENCY FOR THE MEDIATION, THE BANK HAS A SPECIAL INTEREST IN ITS SUCCESSFUL COMPLETION.

WE WOULD, THEREFORE, APPRECIATE VERY MUCH IF YOUR EXCELLENCY WOULD KINDLY AGREE TO AN EXCHANGE OF VIEWS WITH THE MEDIATOR AT YOUR

END OF TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE TELEX

TELEX NO

DATE 10/07/82

SUBJECT: EAC

DRAFTED BY: V. Umbricht

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): A.W. Clausen, President

DEPARTMENT:

SECTION BELOW FOR USE OF CABLE SECTION

CHECKED FOR DISPATCH

DISTRIBUTION: WHITE — File Copy WHITE — Transmittal Copy CANARY — Bill Copy BLUE — Originator to Keep

Use OCR-B210 Sphere and set typewriter for DOUBLE SPACING — No other markings acceptable.

Typewritten Character Must Fall Completely in Box!

PAGE 1 OF 3

EXTENSION 72491

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

TO:

CONVENIENCE AND TO LEND YOUR VALUABLE HELP TO HIM TO BRING THE NEGOTIATIONS TO AN EARLY CONCLUSION.

WITH BEST REGARDS, A.W. CLAUSEN, PRESIDENT, WORLD BANK

END OF TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX

TELEX NO.:

DATE: 10/07/82

SUBJECT: EAC

DRAFTED BY: V. Umbricht

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature): A.W. Clausen, President

DEPARTMENT:

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1 Use OCR-B210 Sphere and set typewriter for DOUBLE SPACING — No other markings acceptable.

2 Align First Characters at Line Number 1.

Mr. Clausen,

This letter was copied to you. Katherine Marshall's response is attached.

Roy

10/4/82

A. W. Clausen

3952

MURRAY-CARVER, INC.

P.O. Box 344449 — 14934 Trend Drive
Dallas, Texas 75234 214-241-9440

J. C. Orr
Chairman and
Chief Executive Officer

September 20, 1982

The World Bank
Kenya Desk
1818 H Street, N.W.
Washington, DC 20433

Attention: Miss Pamela Cox
Mr. Christopher Ward

Re: Bura Project - Kenya, Africa

Dear Miss Cox and Mr. Ward:

I have been dealing in the international markets of the world for over 30 years and it nauseates me to see what is happening to the above project. As a tax paying American whose country contributes quite heavily to The World Bank, supposedly for feasible projects of the developing countries of the world, I feel it my duty to inform you people of an extremely stupid situation which has occurred in Kenya. I am afraid the reasons for this substantial waste of funds, which we can ill-afford in the world today, is due, in part, to the lack of knowledge of some "consultants" hired by the World Bank who apparently are not knowledgeable enough to perform the proper evaluation for you on this project.

This is not the first time I have seen this happen and it would certainly be to the benefit of The World Bank in the future if they would better examine the so called consultants to see that they are fully qualified and properly representing themselves as to their knowledge of what you are asking them to evaluate.

The Irrigation Board, Nairobi, spent years and millions of dollars preparing new land in Kenya to grow a much better grade of cotton than is now being grown there. This is the Acala variety which has been grown experimentally in Bura with yields of 3500 KG/HA average. I understand that Sir M. McDonald and Partners had the irrigation project and were proceeding and the bid was actually awarded for saw gin machinery to process this Acala type cotton.

From information I have received, you have a certain German merchant who exports and imports cotton and converting to the modern machinery apparently seemed to be a threat to his business so he was influential in converting the Cotton Marketing Board at the last minute very recently to change back to the old variety of cotton and to the 19th century model of Middleton Pratt Roller Gin, which has not even been manufactured in over 10 years. Also, their parent company went bankrupt in the U.K., but these people seem willing to try to find the people who could make these type roller gins. The capacity of these double roller gins is 80 to 100 pounds per hour fed by hand, and it would take some 170 of these small roller gins to do the job which four to five 120-saw 12" diameter saw gins are doing quite nicely all over the world.

Twenty-five to thirty years ago textile manufacturers were against saw gins because they were under the impression they destroyed the staple and were unusable in the textile mills. However, today all of the cotton in the United States, including the Acala variety, is ginned by saw gins except a very small percentage of Pima, long staple cotton, that is grown in New Mexico and Arizona (which does not even amount of 1% of the total crop in the United States). This also holds true of all the developed countries of the world that grow cotton. The developing countries as well are fast converting to saw gins and none of them, to our knowledge, except in Kenya, would use very old and obsolete low-capacity roller gin, as the amendment to the tender now calls for.

I am sure it is not the intention of The World Bank to finance projects which are not economical and which set the country back 50 to 100 years in the type of equipment they are using.

The tender which was first submitted, and was awarded, was using saw gins. Someone, somewhere used their influence, for reasons unknown to us, to make a last minute amendment in the tender changing the specifications back to the extremely old type roller gins which are really no longer being manufactured.

This is a matter of principle to me and of one of the many blunders I have seen The World Bank become involved in, such as the Gezira project and the Raha project in the Sudan where the great experts you hired overlooked the fact that in converting to Acala cotton seed, from the long staple seed which the Sudan had been growing, you had to install delinting machinery to remove the lint remaining after the saw gins. This lint happens to be

a very important product in that it is the purest cellulose in chemistry. Also, the removal of the lint is necessary to maximize the extraction of vegetable oil from the cottonseed.

I could point out to you ~~a long list of mistakes made by The World Bank~~, not particularly because of the people in the bank, but because of the so-called consultants misrepresenting their knowledge of the project that is submitted to the bank.

I am going to do everything possible to publicize to the world this very stupid use of The World Bank funds by publishing documented technical data in the congressional record and any other place we can use to inform the world that The World Bank funds have been misused because of unscrupulous people in the developing countries influencing the money to be spent for their benefit and not the benefit of their country.

It is rather sickening that they are going to start all over inventing the wheel and use the very inferior grade of cotton known as BPA which has about 40% less yield. For your information, this tender was awarded to HVA, which, we understand, is a Dutch company.

It is actually humorous that someone has created a bias against American ginning machinery in favor of the 19th century method of ginning cotton.

I understand that The World Bank has sent some type of communication questioning the feasibility of changing to equipment which will move the method of operation back 50 to 100 years but am not aware of any response. The only logical conclusion I can come to for such a ridiculous change would be that there is some corruption somewhere along the line, and we hereby formally request that the responsible person at the World Bank thoroughly investigate this sudden change in the specifications.

It happens that we manufacture cotton gin machinery and our machinery was originally in the tender. I also fully realize that by my exposing this situation that whoever the people were that through ignorance or corruption caused this to be changed will see to it that our machinery will not be involved in any amendments or changes they make to correct this situation, however, apparently we have the country of Kenya at heart more than the Kenyans involved in this situation, which is very sad indeed.

A copy of this letter is being sent to the President of The World Bank as he is a well respected man with an excellent reputation and track record in the business world, and while this may seem to be a small, insignificant matter to The World Bank, I can assure him that he has too many of these situations going on and we stand ready to do anything possible to help correct these so that funds from The World Bank will go to assist developing countries to go forward instead of backward.

Hoping to hear from you soon.

Yours very truly,

J. C. Orr

ajh
cc: A. W. Clausen, President

C Clausen's Office (Pontthwaite)

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

October 1, 1982

10.5.82

Mr. J. C. Orr
Chairman and Chief Executive Officer
Murray-Carver, Inc.
P. O. Box 344449
Dallas, Texas 75234

Re: KENYA - Bura Irrigation Settlement Project

Dear Mr. Orr:

Thank you for your long and detailed letter, addressed to Miss Cox and Mr. Ward, which touches on several issues which are naturally of great concern to us. We at the Bank and those responsible for projects in our member countries have much to learn from specialists of every kind, not least from the technological expertise of the private sector and we therefore welcome initiatives such as yours.

You will appreciate that the Bank's rôle in matters of Government decision is necessarily one of guidance and advice from an objective standpoint. Ultimately, of course, if a decision during implementaton materially affects the viability of a project which is being funded by a World Bank loan, we examine the reasons for that decision very closely before indicating our agreement to any subsequent financing. This examination often calls for a lengthy process of dialogue between the Bank and the Government in which complex issues - technical, economic and financial - are raised and the best available solutions are sought. The Bank is currently dealing with the question of cotton variety and ginnery type for the Bura project in this way.

At the present stage, it is practically impossible to evaluate all the numerous arguments that have been brought to bear on every side. During a recent mission to Kenya by two members of our staff, we initiated a series of round table sessions at which all parties concerned advanced their cases. The Government has now ordered a thoroughgoing review of all the options available. It is expected that the outcome of this review, to be concluded within the next few weeks, will enable the Government to weigh up the arguments and to select the best option. No contract award has yet been made.

In our opinion, it would be premature at the moment for us to comment in detail on this debate. Of course the points you make in your letter will be considered. However I would like to draw your attention to one element which must affect the cotton variety grown at Bura in the short term. Cotton grown in Kenya up to now has been almost entirely rainfed. Although trials to select an appropriate irrigated variety have been carried out, they have not yet been conclusive. Thus although an irrigated variety with a higher yield and higher ginning out turn will almost certainly be adopted, possibly within three years, research data do not support its immediate adoption.

In your letter you suggest that consultants have been inadequate in this matter and also allude to possibilities of improper conduct. We would be grateful if you would provide us with details so that we can investigate.

In closing, let me assure you that we do not consider this a small, insignificant matter. On the contrary, we take all such matters very seriously as they can bear very heavily on the effectiveness of our institution. With the thought that you might like to know more about the work of the Bank, I am enclosing our latest annual report and a copy of one or two booklets that describe what we do - and what we are trying to do. I also enclose a copy of the book "IDA in Retrospect"; this is a frank study, commissioned by Mr. Clausen, of the Bank's affiliate which makes concessional loans to the poorest countries. I think you will find it both interesting and revealing.

Yours sincerely,

Katherine Marshall
Division Chief
Central Agriculture
Eastern Africa Projects

Cleared with and cc: Wardle, Lafourcade, Strombom/Conrad

cc (with incoming letter): Mr. Clausen's office (Southworth), Wapenhans, Christoffersen, Loh, Los (o/r), Wong, Kimes (o/r), McBride (o/r), Dunn (o/r), Blinkhorn, Cox

CWard:sb

Copies for Lagemann
Marshall (ofr)
Wardle
Conrad (PAS)

MURRAY-CARVER, INC.

P.O. Box 344449 — 14934 Trend Drive
Dallas, Texas 75234 214-241-9440

J. C. Orr
Chairman and
Chief Executive Officer

Ward
Log (ofr)
Way (ofr)
Kimes (ofr)
→ EA Files.

September 20, 1982

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Hoping to hear from you soon.

Yours very truly,

J. C. Orr

ajh
cc: A. W. Clausen, President

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

R1

Mr. Southworth:

We spoke. I don't think this calls for a response. Mr. Clausen met Magugu who repeated the apology on behalf of the Government of Kenya.

Barbara, File this please

(W. A. Wapenhans)
September 14, 1982

9-20
agree!

FORM NO. 89
(7-91)

THE WORLD BANK

ROUTING SLIP

Date
September 10/82

OFFICE OF THE PRESIDENT 13

Name	Room No.
Mr. Wapenhans	

	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

Please prepare reply for Mr. Clausen's signature, by September 14.

Roy Southworth

From

Copy to Stern done 9/15

REPUBLIC OF KENYA

MINISTRY OF FINANCE

Telegraphic Address:
FINANCE-NAIROBI
Telephnoe: 338111

When replying please quote
Ref. No. ...ZZ..36/024/B
and date

THE TREASURY
P.O. Box 30007
NAIROBI
KENYA

23rd August....., 1982..

3870

Mr. A. Clausen,
President,
The World Bank,
1818 H Street, N.W.,
WASHINGTON D.C. 20433,
U.S.A.

Dear Mr. Clausen,

I have Mr. Wapenhans letter of August 11, 1982 in which he raises the matter of the unfortunate incident involving Mr. Tigani. I would like, on behalf of the Government of Kenya, to assure you that the matter has been thoroughly reviewed; and in the circumstances I would like to offer my Government's apology to the Bank and to Mr. Tigani for the embarrassment caused to him. The Government of Kenya places great importance to the continued cordial relationship with the Bank; and to this purpose, I would like to assure you that such an incidence will not happen again. Appropriate instructions have been issued to our officers to ensure that the due privileges and courtesies are extended to the Bank's staff in accordance with normal international practices.

In the meantime, I would hope that this incidence will not mar or in anyway slow down the programmes of co-operation between the Bank and the Government of Kenya.

Accept, Sir, my highest considerations and good wishes.

Yours Sincerely,

(A.K. MAGUGU)
MINISTER FOR FINANCE.

Copy to Steve
Above 4/5

REPUBLIC OF KENYA

MINISTRY OF FINANCE

THE TREASURY
P.O. Box 30007
NAIROBI
KENYA

Telegraphic Address:
FINANCE-NAIROBI
Telephone: 338111

When replying please quote
Ref. No. ZZ.36/024/B
and date

23rd August, 1982

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President,
The World Bank,
1818 H Street, N.W.,
WASHINGTON D.C. 20433,
U.S.A.

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Yours

(A.K. MAGUGU)
MINISTER FOR FINANCE.

FORM NO. 89
(7 81)

THE WORLD BANK

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OFFICE OF THE PRESIDENT

Name	Room No
Mr. Wapenhans	

	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

9-12 Detailed w/ MAGUGA in TORONTO

Remarks

Please prepare reply for Mr. Clausen's signature, by September 14.

Roy Southworth

From

R. 1

REPUBLIC OF KENYA

MINISTRY OF FINANCE

Telegraphic Address:
FINANCE-NAIROBI
Telephnoe: 338111

When replying please quote
Ref. No. ...ZZ.36/024/B
and date

THE TREASURY
P.O. Box 30007
NAIROBI
KENYA

23rd August....., 1982..

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Accept, Sir, my highest considerations and good wishes.

Yours Sincerely,

(A.K. MAGUGU)
MINISTER FOR FINANCE.

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A. W. Clausen, President

THROUGH: Mr. E. Stern, SVPO

FROM: Willi A. Wapenhans, EANVP

DATE: August 30, 1982

SUBJECT: Kenya

I have today received through our office in Nairobi a copy of the letter which the Minister of Finance has sent to you regarding the interrogation by agents of the Secret Service of one of our staff members. I believe we can accept this letter as an adequate response to our concerns and let this matter rest here. Specifically, I do not think that you need to raise this matter with the Minister when you meet with him next week. We will prepare a suitable acknowledgement for your signature as and when we receive the original of the letter.

Attachment

cleared with and cc: Mr. L. Doud, LEG

JKraske:cdg

This is satisfactory. ES 8/31

8-31-82

ZZ 36/024/B

23rd August 82

Mr. A. Clausen,
President,
The World Bank,
1818 H Street, N.W.,
WASHINGTON D.C. 20433,
U.S.A.

Dear Mr. Clausen,

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In the meantime, I would hope that this incidence will onot mar or in anyway slow down the programmes of co-operation between the Bank and the Government of Kenya.

Accept, Sir, my highest considerations and good wishes.

Yours

(A.K. MAGUGU)
MINISTER FOR FINANCE.

October 7, 1981

Dear Mr. President:

I greatly appreciated the opportunity to meet with you at Blair House during your visit in Washington for the World Bank/International Monetary Fund Annual Meetings.

Our exchange of views on the current economic situation in your country was very enlightening and helpful to me in my new role in The World Bank. My associate, Mr. Wapenhans, and I were especially grateful for your candor during our discussion.

Thank you for your hospitality and I look forward to seeing you again soon.

Sincerely,

A. W. Clausen

His Excellency
Daniel T. Arapi Moi
President of Kenya
P. O. Box 30510
Nairobi, Kenya

HH:nks

Daniel Tarapski
PO Box 30510
[illegible]

(i.r.v.)

(Blair)

437

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. A.W. Clausen, President
THROUGH: Ernest Stern, SVPO
FROM: Willi A. Wapenhans, RVP EAN

DATE: September 23, 1981

SUBJECT: Your Meeting with the President of Kenya, Mr. Daniel T. arap Moi

1. We have scheduled a breakfast meeting for you with the President of Kenya, H.E. Daniel T. arap Moi, for Saturday, September 26, from 8:30 to 9:15 a.m. at Blair House. I propose to accompany you to the meeting. On this occasion the time available for the meeting with President Moi is rather limited. However, there will be opportunities for more extensive discussions in the course of your visit to Kenya from November 18 - 22.

2. This is President Moi's first visit to Washington since the Reagan administration took office. His Washington visit will follow a visit to the United Nations where he will be delivering a major address in his capacity as the Chairman of the Organization of African Unity. I expect that this address as well as his discussion with the U.S. Administration will focus mainly on the Namibia problem and the various proposals for leading Namibia to independence.

3. President Moi is aware of the important role which the Bank has played in supporting many projects in Kenya, in providing for aid coordination through the Consultative Group, and in sponsoring the mediation for the former East African Community. I expect that he will be well briefed on the issues covered in the attached briefing paper, especially on the problems brought out in the appraisal of a second Structural Adjustment Loan. You should know that - since the brief was prepared - the Government of Kenya has taken two critical decisions which should enhance prospects for reaching agreement with the Government on the various outstanding issues: (i) the Kenyan Shilling was devalued by 15%, and (ii) interest rates were raised by another percentage point, from 13% to 14%. This should pave the way for constructive discussions with the IMF. You might wish to mention to President Moi that these decisions by the Government are reassuring because they indicate the determination of the Government to continue to deal with Kenya's problems in a pragmatic way and this should enhance Kenya's creditworthiness in the longer run.

4. You should also be aware that Kenya has been particularly active supporting the IDA replenishment on Capitol Hill. The Kenyan Ambassador to Washington took the initiative in presenting an African demarche to the State Department when the Stockman proposals for IDA cuts were first muted. This was followed up by direct contact between President Moi's office and the White House. You might wish to thank President Moi for the Government's support in this vital question.

cc: Ms. Johnson-Sirleaf

JKraske:WAWapenhans:mlh

Brief for Mr. Kodjo's Visit to Mr. Clausen

APPENDIX II "The OAU"

- An Amending Note

H.E. Daniel T. arap Moi, the President of Kenya, how now taken over the chairmanship of the OAU from H.E. Siaka Stevens from Sierra Leone.

The next meeting of the OAU is scheduled to be held in Tripoli. It is the usual practice for the Head of State in the country in which the Annual Meeting of the OAU is held to be Chairman for the ensuing year. The next Chairman is, therefore, likely to be Col. Muammar el Qaddafi.

Daniel T. arap Moi
President of the Republic
of Kenya

Mr. Moi, who was born in 1924, succeeded Mr. Kenyatta as President at the time of the latter's death in August 1978. Since that time he has considerably increased his popularity in Kenya through frequent and wide-ranging travel to various provinces. Mr. Moi was the Vice-President from 1967 until his succession to the Presidency in 1978.

Formerly a leader of the opposition party KADU (Kenya Africa Democratic Union) Party, which was wound up in 1964, Mr. Moi is reported to have firmly established his influence with most politicians within the ruling KANU (Kenya African National Union) Party , the sole legal party in the country. He is, however, from a minority tribe (the Kalenjins of Baringo District) which, until his ascension, was always considered a disadvantage in the face of the political power of the Kikuyu tribe. Mr. Moi has a reputation for firmness and moderation; his reputation has been bolstered by his success in effecting a smooth transition following the death of Mr. Kenyatta, the conclusion of Parliamentary elections in November 1979 and the appointment of Cabinet which more closely bears his stamp.

Mr. Moi was a teacher before being elected to the Kenya Legislative Council in 1955. He was Minister of Education for a brief period in 1962 and his interest in education continues. Following the November elections, he split the former Ministry of Education into the Ministry for Higher Education and the Ministry for Basic Education. Mr. Moi left the former Ministry of Education to become Minister of Local Government in 1962. Following his election to the House of Representatives in 1963, he became Shadow Minister of Agriculture and First President of the Rift Valley Region. After KADU was dissolved in 1964, he was appointed Minister of Home Affairs.

Mr. Moi has participated in various summit conferences in Africa and has travelled widely. He is the current Chairman of the OAU.

Mr. A.W. Clausen
President
The World Bank Group
Helsinki, Finland.

CENTRAL BANK OF KENYA

P.O. BOX 60000
TEL: 26431
TELEX: 22324
NAIROBI

CENTRAL BANK OF KENYA

GOVERNOR

P.O. BOX 60000
TEL: 26431
TELEX: 22324
NAIROBI

Helsinki, May 11, 1982.

Mr. A.W. Clausen
President
The World Bank Group
Finlandia Hall
Helsinki.

Dear Mr. Clausen,

As World Bank Group Governor for Kenya, I should like to seize the opportunity provided by the meetings in Helsinki to renew my Government's appreciation of the support which the World Bank Group continues to give towards development efforts in Kenya. This morning I spoke with my President who also asked me to convey to you his satisfaction with the cooperation that exists between Kenya and the World Bank.

As you know, negotiations between Kenya and the Bank on a Second Structural Adjustment Loan have reached an advanced stage. The Kenya Government is hopeful that these discussions will be concluded without much delay.

I am sure your visits to our country have made you aware of the fact that agriculture is the main motivating force in Kenya's economic activities. You are also aware of Kenya Government's appreciation of the role played by the World Bank institutions and other bilateral financing sources in upgrading the Kenyan economy. It is against this background that I take this early opportunity of my meeting with you to officially dissociate the Government of Kenya from the comments attributed to "a Kenya delegage" at the meeting held in Tripoli, Libya in April 1982. The comments under reference appear in press release ECA/TPL/5 dated 20th April 1982 which may have reached your office.

Highest regards.

Sincerely yours,

Arthur K. Magugu
Minister for Finance

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

A. W. CLAUSEN
President

June 24, 1982

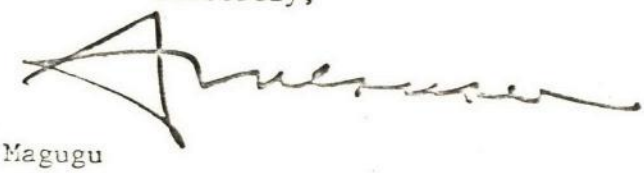
Dear Mr. Minister:

It was a real pleasure visiting with you in Helsinki on the occasion of the meeting of the Development Committee. I was especially pleased with your clarificatons concerning the statements made by the Kenyan delegation to the ECA meeting in Tripoli in connection with the Bank's report on Sub-Saharan Africa.

As you know, the discussions of the Development Committee fully confirmed the outcome of the African Caucus meeting in Dakar. As we discussed in Helsinki, the position taken on the Bank's report in the Tripoli Declaration is inconsistent with that expressed in Dakar and in Helsinki. By now you will have been briefed by your Executive Director, Mr. Y. S. Abdulai, on the outcome of the Helsinki meetings.

Because of the inconsistencies and the proposal that this subject be taken up again at the forthcoming meeting of African Heads of State to be held in Libya in August, I have addressed the attached letter to President arap Moi.

Sincerely,



The Honorable
Arthur Kinyanjui Magugu
Minister of Finance
P. O. Box 30007
Nairobi, Kenya

BC: Messrs. Stern
Benjenk
Thahane
Knox
Wapenhans
Abdulai
Razafindrabe

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

A. W. CLAUSEN
President

June 21, 1982

His Excellency The President
of the Republic of Kenya
Daniel T. arap Moi
Harambee House
P.O. Box 30510
Nairobi, Kenya

Dear Mr. President:

During our discussion in Nairobi last November, we had broached a number of themes arising in the Bank's report on Accelerated Development in Sub-Saharan Africa: An Agenda for Action. In March, the African Governors of the Bank and Fund also met in Dakar for a discussion on the report.

I was most encouraged by the outcome of the Dakar meeting, particularly with the recognition given in the concluding Memorandum that the report contributes to the implemention of the Lagos Plan of Action during the 1980s. I was also pleased to note the affirmation in the Memorandum of "the need for adjustment and for a constant readaptation of development policies" and "to make efficient use of available resources, be they human or financial, public or private." We fully accept the conclusion of the Memorandum that it will be for each country to design its own programs and policies to deal with particular national economic problems. The Bank is pursuing the economic policy dialogue with individual African countries and stands ready to assist governments in the preparation of specific programs of action.

At the same time, the Dakar Memorandum calls on the Bank to act as an intermediary and catalyst between the international community and Africa, particularly in regard to the transfer of resources for development. We had urged in our report that Official Development Assistance to Africa in the decade should be doubled, and we intend to press vigorously to seek a maximum response from the donor community. For our part, the Bank has taken steps to ensure a significant increase in the flow of concessional assistance to Africa in the allocation of 34% of IDA resources to Sub-Saharan Africa in the 5-year period 1982-86 compared with 25% in the previous 5-year period.

The Development Committee, a Joint Ministerial Committee of the World Bank and the IMF, which met recently in Helsinki, confirmed these understandings. In its Communique, the Bank is "urged to work

expeditiously to assist the Sub-Saharan countries to formulate specific programs of action and, taking account of the Dakar Memorandum of March 3, 1982 presented at its meeting, to continue its dialogue with donor countries in order to enhance the flow of aid in real terms necessary to support such programs of action."

Against this background, I have taken note of the Declaration of Tripoli adopted at an ECA meeting of Ministers responsible for economic development and planning on April 30, which takes a position inconsistent with that of African Governors of the Bank. The Tripoli Declaration refers to the Bank's report as "adopting approaches, concepts and objectives which are divergent from those of the Lagos Plan of Action and the Final Act of Lagos and is in fundamental contradiction with the political, economic and social aspirations of Africa." The Declaration also mandated the Executive Secretary of the Economic Commission for Africa to transmit the Declaration to the Secretary General of the OAU "for presentation to the forthcoming meeting of the Assembly of Heads of State and Government of the Organization for necessary action."

If the Bank is to make an effective contribution to economic development in the Sub-Saharan African region and implement the conclusions of the African Governors at Dakar, it is of importance that consistent signals be conveyed on the African position not only to the Bank, but to the international community at large. I, therefore, very much hope that we can count on your assistance in clarifying the background indicated above of the discussions we have had with African Governors of the Bank on the Africa Report should this item appear on the Agenda of the forthcoming OAU Heads of State meeting.

Sincerely,

(A.W. Clausen)

cc. and cleared with Messrs. Abdulai
Stern
Benjenk
Knox

cc. and cleared in substance with Mr. Thahane

cc: Messrs. Razafindrabe
Wapenhans

DRClarke:ls

FORM NO 27 OCR (11-76)

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX Date: MAY 7, 1982

Telex No.: 22324 KENYABANK Originators Ext: 7-3585

12 10

START HERE

TO: J.G. KARUGA, FINANCIAL SECRETARY TO THE TREASURY

CITY/COUNTRY: NAIROBI, KENYA

MESSAGE NO:

RE YOUR CABLE, MR. CLAUSEN ARRIVING HELSINKI MONDAY MAY TEN AT NIGHT AND CANNOT MEET MINISTER MAGUGU ON THAT DAY STOP PLEASE HAVE SOMEONE FROM KENYA DELEGATION CONTACT MR. OLIVIER LAFOURCADE IN HELSINKI (HOTEL HESPEIRA OR BANK OFFICE AT FINLANDIA HALL) ON TUESDAY, MAY ELEVEN, TO SEE WHETHER MEETING CAN BE ARRANGED ON ALTERNATIVE DAY REGARDS LAFOURCADE, ASSISTANT TO THE PRESIDENT

END OF TEXT

NOT TO BE TRANSMITTED

SUBJECT: Meeting w/Kenya Delegation	DRAFTED BY: Olivier Lafourcade
CLEARANCES AND COPY DISTRIBUTION: cc: Mr. Wapenhans	AUTHORIZED BY (Name and Signature): OLafourcade: ~~mt~~ O. Lafourcade
	DEPARTMENT: President's Office
	SECTION BELOW FOR USE OF CABLE SECTION
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22324 KENYABANK

22324 KENYABANK

MR. CLAUSEN

PRESIDENT OF THE WORLD BANK

WASHINGTON D.C

7/5/82

PLEASE NOTE THAT THE MINISTER FOR FINANCE HON. A.K. MAGUGU, M.P. WOULD APPRECIATE MEETING YOU POSSIBLY ON MONDAY 10TH MAY, 1982 AT THE HELSINKI MEETING STOP PLEASE INDICATE WHETHER THIS IS POSSIBLE AND THE PROBABLE VENUE FOR THE MEETING LATEST TOMORROW 8TH MAY 1982 STOP REGARDS

J. G. KARUGA

FINANCIAL SECRETARY TO THE TREASURY.

✠

WORLDBNK64145✠

22324 KENYABANK

REPUBLIC OF KENYA

MINISTRY OF FINANCE

Telegraphic Address:
FINANCE-NAIROBI
Telephone: 338111
When replying please quote
Ref. No. AKM/PER/1
and date

THE TREASURY
P.O. Box 30007
NAIROBI
KENYA

4th March, 19 82

2837

Copy to: W. Kapenhans
3/11

Mr. A.W. Clausen,
President,
World Bank,
Washington, D.C. 20433
U.S.A.

Dear Mr. Clausen,

I thank you kindly for your encouraging message of congratulations to me upon my appointment by H.E. the President as the Minister for Finance.

I take this opportunity to reassure you of my commitment to serving H.E. the President and the Nation to the best of my ability, through God's guidance.

I look forward to strengthening the already existing good working relations between Kenya and the World Bank to even greater heights.

Yours sincerely,

HON. A.K. MAGUGU, EGH., M.P.,
MINISTER FOR FINANCE

RECEIVED

1982 MAR 10 PM 4:54

OFFICE OF THE PRESIDENT

WORLD BANK OUTGOING MESSAGE FORM: Telegram, Cable, Telex

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PAGE 1 OF 1

EXTENSION 72491

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

TO: FINANCE

CITY/COUNTRY NAIROBI, KENYA

FOR THE HONORABLE ARTHUR MAGUGU, MINISTER OF FINANCE.

PLEASE ACCEPT OUR VERY BEST WISHES FOR YOUR NEW ASSIGNMENT AS MINISTER OF FINANCE. MY COLLEAGUES AND I LOOK FORWARD TO WORKING CLOSELY WITH YOU AS WE CONTINUE TO ASSIST THE KENYAN GOVERNMENT IN DEALING WITH THE VERY SERIOUS ECONOMIC PROBLEMS FACED BY KENYA. WITH BEST REGARDS, A.W. CLAUSEN.

END OF TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.:

DATE: 3/1/82

SUBJECT: KENYA--CABINET RESHUFFLE

DRAFTED BY: JKRASKE:kn

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Wapenhans (o/r)
Mr. Dunn (o/r)

AUTHORIZED BY (Name and Signature): A. W. Clausen

DEPARTMENT:

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(2-81)

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PAGE 1 OF 1

EXTENSION 72491

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

CITY/COUNTRY

TO: HOME AFFAIRS

NAIROBI, KENYA

FOR THE HONORABLE MWAI KIBAKI, VICE PRESIDENT AND MINISTER OF HOME AFFAIRS. PLEASE ACCEPT MY BEST WISHES FOR YOUR NEW IMPORTANT RESPONSIBILITIES IN THE MINISTRY OF HOME AFFAIRS. WE WOULD LIKE TO THANK YOU ON THIS OCCASION FOR THE VALUABLE ADVICE AND SUPPORT YOU EXTENDED TO THE BANK THROUGHOUT YOUR TENURE AS MINISTER OF FINANCE. WE HOPE THAT YOU WILL MAINTAIN A CLOSE INTEREST IN OUR INSTITUTION AND THAT WE WILL REMAIN IN CLOSE CONTACT ON MATTERS AFFECTING OUR PROGRAM IN SUBSAHARAN AFRICA AND OF COURSE IN KENYA IN PARTICULAR. WITH BEST PERSONAL REGARDS, A.W. CLAUSEN.

END OF TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.:

DATE: 3/1/82

SUBJECT: KENYA -- CABINET RESHUFFLE

DRAFTED BY: JKRASKE:hc

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Wapenhans (o/r)
Mr. Dunn (o/r)

AUTHORIZED BY (Name and Signature): A.W. Clausen

DEPARTMENT:

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PAGE 1 OF 1

EXTENSION 72491

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TO: HOME AFFAIRS

CITY/COUNTRY NAIROBI, KENYA

FOR THE HONORABLE MWAI KIBAKI, VICE PRESIDENT AND MINISTER OF HOME AFFAIRS. PLEASE ACCEPT MY BEST WISHES FOR YOUR NEW IMPORTANT RESPONSIBILITIES IN THE MINISTRY OF HOME AFFAIRS. WE WOULD LIKE TO THANK YOU ON THIS OCCASION FOR THE VALUABLE ADVICE AND SUPPORT YOU EXTENDED TO THE BANK THROUGHOUT YOUR TENURE AS MINISTER OF FINANCE. WE HOPE THAT YOU WILL MAINTAIN A CLOSE INTEREST IN OUR INSTITUTION AND THAT WE WILL REMAIN IN CLOSE CONTACT ON MATTERS AFFECTING OUR PROGRAM IN SUBSAHARAN AFRICA AND OF COURSE IN KENYA IN PARTICULAR. WITH BEST PERSONAL REGARDS, A.W. CLAUSEN.

END OF TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX NO.:

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SUBJECT: KENYA -- CABINET RESHUFFLE

DRAFTED BY: JKRASKE:hc

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Wapenhans (o/r)
Mr. Dunn (o/r)

AUTHORIZED BY (Name and Signature): A.W. Clausen

DEPARTMENT:

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February 18, 1982

Dear Dr. Gray,

Thank you for your letter and the nice photographs taken during my visit to ILRAD. I shall keep them as a good souvenir of my very interesting and informative tour of this important Research Center. The World Bank is proud to be associated with it in the context of the CGIAR.

Thank you again for showing me the Center. It was good to see you again briefly at the airport in London.

Sincerely,

TC

Dr. A. R. Gray
Director-General
International Laboratory for
Research on Animal Diseases
P.O. Box 30709
Nairobi
Kenya

bcc: Messrs. Wapenhans, Lejeune.

OLafourcade:tk

2589

INTERNATIONAL LABORATORY
FOR RESEARCH ON ANIMAL DISEASES
P. O. Box 30709, Nairobi, Kenya

CABLE: ILRAD/NAIROBI/KENYA
TELEX: 22040

TELEPHONE: NAIROBI
592311

Ref:DIR6/02/112

February 1st, 1982

Mr. A.W. Clausen
President
The World Bank
1818 H. St. N.W.
Washington D.C. 20433
USA

Dear Mr. Clausen

When I met up with you again in Heathrow Airport last Saturday January 23rd, I remembered some unmailed photographs taken during your visit to ILRAD in Nairobi last November. They are not very informative about ILRAD's work on trypanosomiasis and theileriosis, but they include some good likenesses of people in Nairobi and you might like to see them.

I was very pleased that you were able to fit in a brief visit to this CGIAR-supported International Agricultural Research Center at impossibly short notice, and your kind remarks about the mission of ILRAD to the Press and Television networks in Kenya, gave us a considerable boost locally. We all hope to see you here again in the future, to see more of our work.

Meanwhile, I send you my thanks for your visit and interest in ILRAD, and my best personal regards.

Yours sincerely

Ross Gray

Dr. A.R. Gray
DIRECTOR GENERAL

Encs:

ARG/sck.

Kenya

December 7, 1981

Dear Mr. Walchli:

How very thoughtful of you to send me the photographs taken during my recent stay in Nairobi! I am happy to have them as mementos of a most enjoyable visit to that city as well as to your beautiful hotel.

Mrs. Clausen and I thoroughly enjoyed ourselves and were delighted to note the tremendous growth and development taking place in Kenya since our last visit there a number of years ago. We look forward to another chance to return.

Warm regards and best wishes to you for a Merry Christmas.

Sincerely,

A. W. Clausen JC

Mr. Fritz Walchli
General Manager
Hotel Inter Continental
Nairobi, Kenya

HOTEL
INTER·CONTINENTAL
NAIROBI

EXECUTIVE OFFICE

CITY HALL WAY & UHURU HIGHWAY - P.O. BOX 30353 - NAIROBI - KENYA - TELEPHONE: 335550 - CABLE ADDRESS: INHOTELCOR
TELEX: 22631 INHOTCOR

21st November, 1981

Mr. W. Clausen
PRESIDENT
THE WORLD BANK

Dear Mr. Clausen,

We take great pleasure to enclose four photographs for the good memory of an occasion we were proud to have you visit Hotel Inter.Continental.

Yours sincerely,

FRITZ WALCHLI
GENERAL MANAGER

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: November 6, 1981

FROM: W. A. Wapenhans

SUBJECT: KENYA -- Meeting of Mr. A. W. Clausen with President Moi

1. On Saturday, September 26, 1981, Mr. Clausen called on President Moi at Blair House for a breakfast meeting at 8.00 a.m. Present at the meeting for Kenya were:

Hon. Robert Ouko	Minister of Foreign Affairs
Hon. Nicholas Biwott	Minister of State
Mr. Simon Nyachae	Permanent Secretary, Office of the President
Mr. Philip Ndegwa	Chairman, Kenya Commercial Bank, and Economic Adviser to the President
H.E. John P. Mbogua	Kenya Ambassador to the United States

Mr. Clausen was accompanied by Mr. Willi A. Wapenhans, Regional Vice President for Eastern Africa. The meeting lasted about an hour; it was both informal and harmonious.

2. President Moi welcomed Mr. Clausen by congratulating him on his appointment as the President of the World Bank. He emphasized the importance the Government attaches to close cooperation with the World Bank and the IMF. He thanked the Bank for its intervention in a wide variety of sectors and programs and for the continuous and reliable support it had rendered. Special reference was made to semi-arid development at Baringo, the geothermal resource development of Olkaria, labor-intensive rural roads construction, tea development, etc. Passing reference was also made to the recent exchange rate action.

3. The President expressed the hope that Mr. Clausen's previous experience as the Chief Executive Officer of the Bank of America would help promote an even stronger interest of the international business community in Kenya. There was a brief exchange on the need to help maintain an hospitable environment and to direct the activities of the business community to exports through appropriate trade policies. President Moi looked forward to Mr. Clausen's visit to Kenya in November, on which occasion he hoped to have further detailed discussions. Mr. Clausen thanked the President for his warm welcome. He also looked forward to his first visit to Kenya as the President of the World Bank, recalling his earlier visit as an observer to the 1973 Annual Meetings of the IBRD and the IMF in Nairobi. He was now eager to develop a more intimate acquaintance with Africa and especially with Kenya's problem of and prospects for development.

4. The discussion also focussed on a number of operational issues, prominent amongst which were population, project implementation, and agricultural marketing. President Moi reconfirmed his concern about the rapid growth of Kenya's population and his resolve to keep this matter under close surveillance through the establishment of a Population Council in his office. He also stated that he shared the Bank's concern about the deterioration in project implementation and had given instructions that this receive close and continuous attention by State House as well as the Ministries and Agencies concerned.

5. On agricultural marketing, President Moi referred to undue external pressure to abolish grain distribution mechanisms which he himself had insisted on in order to safeguard the supply with staples in deficit areas -- most importantly in semi-arid regions. He felt that there was a lack of understanding of Kenya's needs in a period of general food shortages both with Kenya and in neighboring countries. He emphasized that this was such a sensitive problem that he himself would want to be informed of any further discussion of the issue. In responding, I stated that this was indeed an issue of considerable interest to us in the context of the second SAL operation. Our concern was one of effective incentives for producers and increase in production through increased efficiency in procurement and marketing. However, there was obviously a large area of misunderstanding about both objectives and means. We were in the process of clarifying the issues and narrowing down the remaining differences to the essential components requiring decision. Once that had been done, we might indeed want to avail ourselves of the President's gracious offer of further direct consultations.

6. Mr. Clausen also expressed his appreciation for the support of Kenya in securing US contributions to IDA VI. In this context, Ambassador Mbogua's intervention with other African Ambassadors and with the State Department received special mention.

cc: Mr. Clausen's Office (2)
Mr. Stern
Mr. Kraske

WAWapenhans:rsvh

KENYA

ANNUAL MEETING 1981 - BRIEF

Delegation

1. Kenya will be represented at the Annual Meeting by:

(i) Mr. H.M. Mule, Permanent Secretary, Office of the Vice President and Minister of Finance, Governor IBRD, Head of Delegation;

(ii) Mr. D. Ndegwa, Governor Central Bank of Kenya, Governor IMF; and

(iii) Mr. Y.F.O. Masakhalia, Permanent Secretary, Ministry of Planning and Economic Development, Temporary Alternate Governor IBRD.

Background

2. Political Situation. Following the death of President Kenyatta in 1978, the country made a smooth transition to the leadership of President Moi after peaceful national elections in November 1979. At present, the President and his associates appear to be in full control of state power and Kenya seems to be reaching out to a more activist role in African and world politics. But in spite of the apparent control, the current political situation in Kenya contains underlying tensions as a result of (i) conflicts in the political sphere due to tribal and regional interests and (ii) uncertainties created by frequent and rapid shifts in senior civil servants and the considerable expansion of the Cabinet itself. On (i) the most evident manifestation is the struggle for power between the Vice President and Minister of Finance, Mr. Kibaki, and the Minister of Home and Constitutional Affairs, Mr. Njonjo, both Kikuyu (the largest tribe), but representing clans from the North and South respectively. President Moi, while appearing to capitalize on the rift, is also consolidating his own power base by bringing Kenya's non-Kikuyu's, including his own tribe the Kalenjin, closer to the center of political power. The combination of the above two factors, together with the deteriorating economic situation, have led to increasing slowness and uncertainty in policy formulation and decision making.

Issues

3. Non-Project Assistance. The Kenyan delegation will stress the need for rapidly disbursing non-project assistance from the Bank Group; the assistance being primarily for balance of payments support. The need for such support has arisen in view of the rapid deceleration of economic growth (real rate of GDP growth in 1980 was 2.4% vs. 3.9% rate of growth in population) and the severe deterioration in the balance of payments (current account deficit averaging over US$600 million per year during 1978-80). This situation is

partly due to the adverse movements in the country's international terms of trade, but also reflects fundamental structural weaknesses in the economy. These include diminishing opportunities for efficient import substitution behind high tariff barriers; slow growth of exports; the slackening pace of agricultural growth; and the rapid expansion of population. The Government recognizes these problems, and the country's Fourth Development Plan contains an appropriate strategy and policy framework for the necessary structural reforms. However, to implement and continue the structural adjustment, the Government will request balance of payments support.

4. In 1980 the Bank Group provided such support through the First Structural Adjustment Credit. The credit was designed to support programs and policies to encourage the industrial sector to become more efficient and internationally competitive. In July 1981, Bank staff held discussions with the Government on a possible second phase of the Structural Adjustment Program. This proposed program is broader in scope than that supported by the first operation. It includes proposals for the continued implementation of policies designed to restructure the system of industrial protection and promote exports, but also policy initiatives in the agricultural and energy sectors and in population. It also provides for the continued monitoring of macro-economic policies and measures included in the first operation, but not fully implemented (i.e. forward budgeting, external debt management and interest rate policy).

5. During the discussions with Government, agreement was reached on a number of proposals in the program. However, agreement could not be reached in two critical areas. In the industrial sector, one of the key trade and tariff policy measures proposed is the establishment of a timetable for continuing the process of import liberalization. But although Government has devised a new import administration system which would provide a basis for the gradual elimination of quotas and the introduction of moderate and more uniform tariffs,the system has not been implemented. Further, the Government is also presently unwilling to take any additional measures to rationalize the trade regime or agree to a definite schedule for future actions. In the agricultural sector, the critical policy objectives were (i) to limit Government intervention in pricing and marketing and encourage private sector activity and (ii) obtain agreement on land policy measures including the legalization of the defacto subdivision of land and to establish a National Land Commission. On (i) the Government was unwilling to commit itself to a program designed to expand private sector activity in marketing, particularly the removal of controls on inter- and intra-district maize movements (although measures suggested to improve the price review process were agreed), and on (ii) although the necessity for the legalization of the subdivision and the establishment of the Commission is accepted in principle by the Government, the actual implementation of both proposals remains uncertain.

6. Recommendation: We should stress that the policies outlined for the industrial and agricultural sectors are crucial for the process of structural adjustment and these should be translated into specific medium- and long-term policy actions. We should ask the delegation for a clear statement of their position on these issues and any possible alternatives they propose. If there is still lack of agreement on these issues and the delegation puts forward proposals that are unacceptable, we should clearly indicate that although we are

sympathetic to their request for non-project assistance, our support is conditional on agreement being reached on the key aspects of the proposed program. We could also indicate that the amount of Bank Group lending and the number of projects proposed for the next two fiscal years have been reduced, but would be restored if the Government moves ahead significantly with the structural adjustment program. In addition, we could make a reference to the fact that although the Fund's Standby Agreement and further lending for structural adjustment are not linked, they are complementary, since performance criteria for the Fund's second year program includes the implementation of the new import administration system as well as exchange rate adjustments.

7. Project Implementation and Disbursements. We are seriously concerned about the present poor record of project implementation and disbursements in Kenya. Historically, the country has had a successful record in project implementation with relatively rapid disbursements and a lower number of problem projects than many other countries in Eastern Africa. However, in recent years project implementation performance has deteriorated significantly. Poor implementation has been particularly evidenced since 1976 by the declining absolute level of disbursements, which has been well below the level of commitments. This phenomenon is not confined to Bank Group financed projects only, but is being experienced in all externally financed projects in the country.

8. We have attempted to analyze the reasons for the poor implementation performance in Bank financed projects. The analysis shows that the factors accounting for delays in project implementation vary widely but some of the more pervasive factors have been institutional/management constraints, (largely a reflection of the shortage of trained personnel), procurement problems (delays in preparing tender documents or processing contract awards) and budgetary constraints leading to the lack of local financing. Disbursement performance has sometimes been affected independent of project implementation, for example, due to delays in the processing of reimbursement applications or lack of proper supporting documentation.

9. Recommendation: We should ask the delegation to attempt an analysis of the major implementation problems to identify and resolve the country, sector or project issues which have contributed to the deteriorating project performance. We should indicate that we are willing to assist them in such an exercise for the Bank Group financed projects. We should stress that it is essential to speed up disbursements, since the continuation and future increases of aid commitments by the Bank Group and by other donors will be dependent on the rate of disbursement.

September 14, 1981

SELECTED BIOGRAPHICAL SKETCHES

Mr. Harris Mule, Permanent Secretary, Office of the Vice President and Ministry of Finance

Born in 1936, Mr. Mule obtained his Master's degree in Economics in 1963 at the University of Denver, Colorado. In 1966-67 he obtained a Master's degree in Public Administration at Harvard University. He has more than 15 years of experience with planning in Kenya, and for several years held the post of Deputy Permanent Secretary, Planning, in the Ministry of Finance and Planning. In October 1978, upon the formation of the new Ministry of Economic Planning and Development, Mr. Mule assumed the post of Permanent Secretary. Following a reorganization of the Government by President Moi on June 20, 1980, Mr. Mule became the Permanent Secretary of Finance. He was a member of the Government's Annual Meeting delegation in 1977 and 1980, and attended the Consultative Group meetings held in Paris in 1976, 1979, and July 1981. He has had close links with the Bank for a number of years, and is highly respected.

Mr. Duncan N. Ndegwa, Governor, Central Bank of Kenya

Born in 1925 in Nyeri, Mr. Ndegwa received his teaching degree from Makerere University and a Master's degree from St. Andrew's University. He began his career in 1951 as a teacher in Kagumo and became a statistician in 1956, producing the "Survey of African Consumption, Income and Expenditure in Nairobi 1957-58". Entering the Government in 1959 as Assistant Secretary to the Treasury, he subsequently became Under Secretary in 1962. In 1963 he was appointed Permanent Secretary in the Ministry of Finance and later assumed the position of Permanent Secretary/Secretary to the Cabinet in the Office of the President from 1964-67. Mr. Ndegwa has held his present position as Governor of the Central Bank of Kenya since 1967.

Mr. Yekoyada F. Omoto Masakhalia, Permanent Secretry, Ministry of Economic Planning and Development

Mr. Masakhalia began his career in 1967 in the Ministry of Finance and Economic Planning as an economist/statistician, later promoted to economics social development planner - Grade 1. He was appointed principal economist in 1970 and served as chief economist from 1972-80. The Ministry was reorganized in 1978 as the Ministry of Economic Planning and Development. Following a Government reshuffle by President Moi on June 20, 1980, Mr. Masakhalia became the Permanent Secretary in the new Ministry. Mr. Masakhalia has studied at the following universities (1) Delhi University 1958 (BA - Economics); (2) Denver University 1962 (MBA); (3) University of Southern California 1962-63 (Advance Studies); and (4) Harvard University 1968 (MA - Public Administration). He has also made numerous contributions to various publications during his career.

KENYA

FY82-83

LENDING PROGRAM 1/

BY SECTOR

FY		PROJECTS	AMOUNTS (US$ Millions)		TOTALS (US$ Millions)	
		Sector	IBRD	IDA	Sector	Grand
82	(i)	Agriculture				
		Agricultural Technical Assistance	-	6.0		
		Forestry III	35.0	16.0		
		Cotton Processing & Marketing	-	30.0		
			35.0	52.0	87.0	
	(ii)	Energy & Water Supply				
		Petroleum Exploration	-	4.0	4.0	
	(iii)	Population, Health & Nutrition				
		Population II	-	40.0	40.0	
	(iv)	Structural Adjustment Lending				
		Structural Adjustment Credit II	90.0	40.0	130.0	261.0 (IBRD 125.0) (IDA 136.0)

1/ This FY82-FY83 Lending Program reflects decisions taken at the Management Review on August 21 to reduce Bank lending by US$85 million and two projects due to slow movement by Government on structural adjustment and to deteriorating creditworthiness.

FY		PROJECT	AMOUNTS (US$ Millions)		TOTALS (US$ Millions)	
		Sector	IBRD	IDA	Sector	Grand
83	(i)	Agriculture				
		Grain Marketing & Storage	-	50.0	50.0	
	(ii)	Energy & Water Supply				
		Power IV	50.0	-	50.0	
	(iii)	Urban				
		Urban (Small Towns)	15.0	24.0		
		Urban Transport	20.0	15.0		
			35.0	39.0	74.0	
	(iv)	Telecommunications				
		Telecommunications II	40.0	-	40.0	214.0 (IBRD 125.0) (IDA 89.0)

THE STATUS OF BANK GROUP OPERATIONS IN KENYA

Statement of Bank Loans and IDA Credits as of June 30, 1981

Loan or Credit #	Year	Borrower	Purpose	US$ Million Amount (Less Cancellations) Bank 1/	TW	IDA 1/	Undisbursed
Sixteen (16)	Loans and seventeen (17) Credits fully disbursed			266.68		179.72	
477	1974	Kenya	Livestock			17.50	9.69
537	1975	Kenya	Group Farm Rehabilitation			7.50	3.67
1105	1975	Kenya	Sites and Services	8.00			4.34
1167	1976	Kenya	Mombasa & Coastal Water Supply	35.00			3.61
1184	1976	Kenya	Third Education	10.00			8.51
(650	(1977	(Kenya	(Integrated Agri. Development			10.00	(4.21
(1303-T	(1977	(Kenya	(Integrated Agri. Development		10.00		(10.00
1304-T	1977	Kenya	Wildlife and Tourism		17.00		12.41
(651	(1977	(Kenya	(Rural Access Roads			4.00	(.10
(1305	(1977	(Kenya	(Rural Access Roads	4.00			(4.00
1389	1977	Kenya	South Nyanza Sugar	25.00			8.13
(692	(1977	(Kenya	(Third Agriculture			20.00	1.39
(1390-T	1977	(Kenya	(Third Agriculture		5.00		(5.00
1438	1977	IDB	Third Industrial Dev. Bank	20.00			8.33
(722	(1977	(Kenya	(Bura Irrigation Settlement			6.00	(1.97
(1449	(1977	(Kenya	(Bura Irrigation Settlement	34.00			(34.00
750	1978	Kenya	Small Scale Industry			10.00	8.82
1520	1978	NCC	Second Nairobi Water Supply	30.00			24.79
(791	(1978	(Kenya	(Second Urban			25.00	22.87
(1550	(1978	(Kenya	(Second Urban	25.00			(25.00
797	1978	Kenya	Fourth Education			23.00	20.83
1636	1979	Kenya	Sugar Rehabilitation	72.00			68.11
1637	1979	Kenya	Rural Water Supply	20.00			19.89
858	1979	Kenya	Narok Agricultural Development			13.00	12.50
1680	1979	Kenya	Telecommunications	20.00			17.51
1684	1979	Kenya	Highway Sector	90.00			88.43
914	1979	Kenya	Smallholder Coffee Improvement			27.00	26.99
959	1980	Kenya	Second Integrated Agri. Dev.			46.00	45.98
962	1980	Kenya	Baringo Pilot			6.50	6.13
1799	1980	Kenya	Third Power (Olkaria Geothermal)	40.00 2/			18.91
1817	1980	IDB	Fourth Industrial Dev. Bank	30.00			30.00
1045	1980	Kenya	Export Promotion			4.50	4.50
1051	1980	Kenya	Fisheries			10.00	10.00
1107	1981	Kenya	Fifth Education			36.70	36.70
1976	1981	Kenya	Railway 3/	58.00			58.00
(1143	(1981	(Kenya	(Fourth Agricultural Credit 3/			10.00	10.00
(1995	(1981	(Kenya	(Fourth Agricultural Credit 3/	25.00			25.00
			Total	812.68	32.00	446.42	690.32
			of which has been repaid	38.98	-	2.25	
			Total now outstanding	773.70	32.00	444.17	
			Amount sold 11.81				
			of which has been repaid 11.81	.00			
			TOTAL now held by Bank and IDA 1/	773.70	32.00	444.17	
			TOTAL undisbursed	446.56	27.41	216.35	690.32

1/ Prior to exchange adjustment.
2/ Includes Loan S-12 ($9.0 million).
3/ Not yet effective.

STATEMENT OF IFC INVESTMENT IN KENYA AS AT
June 30, 1981

Fiscal Year	Obligor	Type of Business	Amount in US$ Million		
			Loan	Equity	Total
1967, 1968 and 1973	Kenya Hotel Properties	Hotels	5.2	0.7	5.9
1970, 1974, 1977, 1979, & 1981	Pan African Paper Mills	Pulp and Paper	22.2	6.3	28.5
1972	Tourism Promotion Services	Hotels	2.4	-	2.4
1976	Rift Valley Textiles Ltd.	Textiles	6.3	2.8	9.1
1977	Kenya Commercial Bank Ltd.	Capital Market	2.0	-	2.0
1980	Development Finance Company of Kenya Ltd.	Development Finance	-	1.4	1.4
1981	Kenya Commercial Finance	Money & Capital Market	5.0	-	5.0
	Total Gross Commitments		43.1	11.2	54.3
	less cancellations, terminations, repayments and sales		12.1	1.9	14.0
	Total Commitments now held by IFC		31.0	9.3	40.3
	Total Undisbursed		10.1	-	10.1