



REPUBLIC OF KENYA

MINISTRY OF FINANCE

Minister N.A.	Chief Asst. Sec.	1
Chief Asst. Sec.	Asst. Sec.	1
Asst. Sec.	Asst. Sec.	3
Asst. Sec.	Asst. Sec.	2
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SESSIONAL PAPER.....1.....OF 1991

CONVERSION OF A LOAN OF KSHS.533,000,000.00FROM THE GOVERNMENT
OF KENYA TO KENYA RAILWAYS CORPORATION TO EQUITY CONTRIBUTION

1. The following information is laid before the National Assembly for consideration and approval.
2. Following the break-up of the now defunct East African Community and its corporations and taking into account the financial projections of the Kenya Railways the Government of Kenya recognized the need to harmonize the capital structure of the Railways with other parastatal corporations.
3. In restructuring of Kenya Railways capital the Government of Kenya advanced the sum of Kenya Kshs.953. million to her towards the cost of new equipment which included:
 1. Shunting Locomotives
 2. Hopper Wagons
 3. 3rd Class Coaches
 4. Bre Metro Wagons
4. Initially the sum of Kshs.420 million was treated as capital contribution by the Government and the balance of Ksh.533 million treated as a loan to the Kenya Railways, repayment over a period of 23 years including 8 years moratorium and at an interest rate of 11% P.A.
5. Notwithstanding the above situation and due to the many loans that Kenya Railways inherited following the East African Community mediation exercise, the gap between revenue earnings and operating expenditure continued to widen: consequently the financial burden was drawn to the attention of the cabinet through a cabinet memorandum.



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6. The cabinet noted with concern the unsatisfactory financial situation facing the Kenya Railways corporation and agreed that the Government should through the Ministry of Finance convert the loan of Kshs.533 million plus the accrued interest of Ksh.141 million into Equity contribution to the Kenya Railways.
7. The National Assembly is requested to note the amount of Kshs.953 million provided by the Government of Kenya in restructuring of Kenya Railways Corporation capital base and subsequently to approve the treatment of Kshs.420 million as capital contribution by Government and Kshs 533 million as subvention in order to write off the cumulative deficit as at 31st December,1982.

PROF. HON GEORGE SAITOTI

VICE PRESIDENT AND MINISTER FOR FINANCE