



REPUBLIC OF KENYA

MINISTRY OF FINANCE

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SESSIONAL PAPER NO. 2 OF 1988.

KENYA GOVERNMENT GUARANTEE OF A LOAN TO KENYA AIRWAYS LIMITED
FROM CREDIT LYONNAIS BANK NEDERLAND N.V.
THE GUARANTEE (LOANS) ACT Cap. 461

1. In accordance with the provisions of the Guarantee (Loans) Act (Cap. 461) the following information is laid before the National Assembly for consideration and approval.
2. Kenya Airways is a body corporate existing under Companies Act (Cap. 489) of the laws of Kenya. Kenya Airways has a share capital of Kshs.100 million and it is wholly Government owned. Kenya Airways as the national flag carrier plays an important and critical role in the promotion and sustenance of our Nationhood; the tourist industry; and the export trade; especially for perishables. By virtue of Kenya Airways being a wholly owned Government entity, the Government is interested in the operational viability and well being of Kenya Airways.
3. Kenya Airways has embarked on a programme of modernising its aircraft fleet in order to improve its service and compete with other carriers. Kenya Airways has entered into a contract with Fokker Aircraft B.V. of Amsterdam, the Netherlands, for the purchase of two Fokker 50 Aircraft and related spares package at a total cost of US \$30,734,049 which is equivalent to Kshs. 522,478,835.
4. Credit Lyonnais Bank Nederland N.V. has agreed to lend Kenya Airways Ltd. the sum of US \$25,584,049 which is equivalent to Kshs. 434,929,323. The loan of US \$25,584,049 is the balance of the purchase price of US\$30,734,049 less the advance payment of US \$5,150,000 to enable the Kenya Airways acquire the two Aircraft. Credit Lyonnais Bank has agreed to grant Kenya Airways a twelve (12) years credit facility in order to enable Kenya

Airways to meet its obligations conditional to a duly executed letter of guarantee by the Government of Kenya.

(i) Kenya Airways will repay the amount due to Credit Lyonnais Bank, Nederland in twenty four (24) consecutive half yearly instalments the first of which shall become due six (6) months after the delivery of the last aircraft or on June 30, 1989 whichever date is earlier.


(ii) Kenya Airways shall pay interest to credit Lyonnais Bank on the outstanding amount at the rate of 10.5 per cent during the first two years after the delivery date and at a rate of 7.4 per cent per annum on the outstanding amount during the last ten years.

(iii) Kenya Airways shall pay to the bank a commitment fee of 0.5 per cent within (30) days of the signing of the loan agreement, the said being calculated on the total of the loan.

(iv) Kenya Airways shall also pay to the bank (for the first time) within 30 days of the signing of the loan agreement a management fee of 0.75 per cent of the amount of the loan and thereafter at the rate of 0.375 per cent on repayment of each instalment.

5. The total external loan liability of Kenya Airways guaranteed by the Kenya Government is Kshs.1,937,162,893 as at 31/12/87. The proposed additional loan of Kshs.434,929,323 will raise the External liabilities for Kenya Airways guaranteed by the Kenya Government to Kshs.2,372,092,216.
6. The National Assembly is requested to approve that the Government may guarantee a loan of US \$25,584,049 equivalent to Kshs. 434,929,323 from Credit Lyonnais Bank, Nederland N.V. to Kenya Airways Limited.
7. The current contingent liabilities of the Government in respect of Guarantee (loans) Act (Other than those specified in the schedule to the Act) amounts to KSh546,669,655 and with this guarantee of a sum equivalent to KSh21,746,466 the aggregate will be increased to KSh568,085,776 of which KSh16,471,279 will fall within paragraph (a) and KSh51,664,497 within paragraph (b)

of section 3(3) of the Act.



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