



REPUBLIC OF KENYA

MINISTRY OF FINANCE

SESSIONAL PAPER NO. 6 OF 1988

GOVERNMENT GUARANTEE OF LOAN TO NATIONAL HOUSING CORPORATION BY J.P. MORGAN SECURITIES INC; A PRIVATE INVESTOR IN THE UNITED STATES OF AMERICA, THROUGH THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
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. The National Housing Corporation is a body corporate existing under Housing Act Cap 117 of the laws of Kenya.
3. In line with the policy objective of the Government, the National Housing Corporation has embarked on a private sector housing programme aimed at enhancing the private sectors capability to plan, design and implement low cost housing thereby supporting the Government's effort of arresting the growth of unplanned slums and illegal settlements in the urban areas.
4. The implementation Agreement setting up the programme was signed by the Kenya Government and US Government in September 1984 to be financed through a loan of US \$ 30 million which the National Housing Corporation will borrow from the United States Capital Market. The funds will be borrowed in 3 tranches with each tranche being guaranteed by the Kenya Government. The corporation will on-lend the loan proceeds to eligible building societies and Housing Finance Institutions. The institutions will provide mortgage facilities to eligible Beneficiaries for houses built within the programme.
5. The Private Sector housing programme will involve the construction of approximately 4000 low income housing



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units whose designs, development and marketing will be undertaken by private developers and mortgage finance will be provided by housing finance institutions from the loans to be obtained from the National Housing Corporation.

6. The private sector housing programme will provide home ownerships for families earning below the medium income of KSh.3,000/= per month. The houses to be constructed are anticipated to range from service plots to 2 and 3 room starter units with both sanitary and cooking facilities at a price not exceeding KShs.120,000/= for the two roomed unit and KShs.145,000/= for the three roomed unit. The major participants in this programme are the Ministry of Lands and Housing, National Housing Corporation, National Co-operative Housing Union, Private Developers and Housing Finance Institutions.
7. Messers J.P. Morgan Securities Inc, a private investor in the United States of America has agreed to lend National Housing Corporation part of the required funds in the sum of a loan of US \$ 11,450,000 to be used in Private Sector Housing \$10 million and Nairobi City Commission Umoja Housing Phase II \$1,450,000. The local currency equivalent of the loan is KSh.20,910,900 which will be repaid by the National Housing Corporation over a period of 30 years with a grace period of 10 years at an interest rate of 10.72% p.a.
8. An amount of KSh.32 million has been lent by the Government to the National Housing Corporation to establish a Foreign Exchange Risk Fund to meet fluctuations in foreign exchange rates which may occur during the servicing of the programme loans.



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9. The total external loan liability of National Housing Corporation guaranteed by the Kenya Government is KSh.70,895,768 as at 30th June 1988. The proposed additional loan of KSh.20,910,900 will raise the external liability of National Housing Corporation guaranteed by the Kenya Government to KSh.91,806,668.
10. The National Assembly is requested to approve that the Government may guarantee a loan of US \$ 11,450,000 equivalent to KSh.20,910,900 from messers J.P. Morgan Securities Inc. to the National Housing Corporation
11. The current contingent liability of the Government in respect of Guarantee (Loans) Act (Other than those specified in the schedule to the Act) amounts to KE 624,985,121 with the guarantee of KE 1,045,545 (equivalent to US \$ 11.45 million proposed in this sessional paper, the aggregate will be increased to KE 626,030,666 of which KE 83,489,497 falls within paragraph (a) and KE 542,541,169 within paragraph (b) of section 3(3) of the Act.

MINISTER FOR FINANCE

DATE:

