



REPUBLIC OF KENYA

MINISTRY OF FINANCE

SESSIONAL PAPER NO. 5..... OF 1987

THE KENYA GOVERNMENT GUARANTEE OF LOANS TO KENYA RAILWAYS CORPORATION, BY EXPORT - IMPORT BANK OF THE UNITED STATES AND BANQUE INDOSUEZ.

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 relating to a guarantee by the Government of obligations of the Kenya Railways Corporation in respect of the loans described hereunder.
2. Kenya Railways Corporation is a Kenya Government statutory corporation established by the Kenya Railways Corporation Act (Cap.397).
3. Loans have been secured from Export-Import Bank of the United States and Banque Indosuez for the purchase of 10 No. 94 class locomotives.
4. The loans amount to US \$18.2 million. A sum of US\$15.3m. will be provided by Exim Bank and will carry interest at 7.40% per annum, repayable in twenty consecutive semi-annual instalments beginning December 31, 1987. The balance of US \$2.9 million will be provided by Banque Indosuez at an interest of 1½% per annum above the London Inter Bank rate (LIBOR) and repayable in ten (10) consecutive semi-annual instalments beginning after a two year grace period.
5. The total purchase price of the locomotives and spare parts is US \$18.0 million and a sum of US \$200,000 from the Banque Indosuez loan has been provided for the cost of any non-United States parts that may be required in the course of the manufacture of the locomotives.
6. The loans are required to be guaranteed unconditionally and irrevocably by the Government.



REPUBLIC OF KENYA

MINISTRY OF FINANCE

7. The manufacturer of the Locomotives is a Company known as General Electric Company, Transportation Systems Business Operations of United States with whom Kenya Railways Corporation has dealt with satisfactorily before.
8. These locomotives are required because most of the existing fleet, inherited from Kenya Railways' predecessors in the defunct East African Community has now deteriorated and requires replenishment.
9. Following the collapse of Community, rolling stock and other equipments for the new Kenya Railways have been purchased by the Government in a rehabilitation exercise. It is now expected that a self financing policy will be adopted and thus the present transaction represents a direct purchase by Kenya Railways with the financing being guaranteed by the shareholder the Government

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REPUBLIC OF KENYA

MINISTRY OF FINANCE

10. KENYA RAILWAYS LOAN LIABILITIES AS AT 30TH JUNE, 1986

LOAN TITLE	INTEREST RATE % P.A	REPAYMENT PERIOD YEARS	AMOUNT OUTSTANDING SHS.
1954 £ Stg. 5m 1973/76	4	-	3,642,366
1956 £ Stg.3.5m 1980/84	5.5	-	445,227
1957 £ Stg. 8.5m 1977/83	5.75	-	6,907,621
1975 £ Stg.5m (1977)	9	-	40,436,019
1970 K.£ 1m (1990)	6.75	-	7,539,780
1971 K.£ 3.4m (1986)	6.75	-	16,079,280
AFDB US\$11.031 (2001)	10	15	90,130,768
IBRD 1965 US \$38 (1995)	5.5	23	115,410,100
1970 US \$42.4m (1995)	7	20	155,113,901
1981 US \$58m (1976 KE) (2001)	10	15	352,321,812
CIDA 1970 C\$14 (2020)	Int.Free	40	64,680,000
1982 C\$2m (1990)	10	5	17,742,700
LLOYDS Bank £Stg.18.79 (1994)	7.75	20	398,344,066
1961 £Stg.7.5m (1986)	6.5	25	8,122,687
1965 £ Stg.3.15m (1984) ECGD-SEC.3	7.0	19	859,950
1970 £ Stg.1m (1990)	Int.Free	-	4,651,920
1971 DM 8.6m 1996	3	25	10,945,364
KFW Loans 1981	2	15	28,644,783
Total Public Debt			1,322,018,344

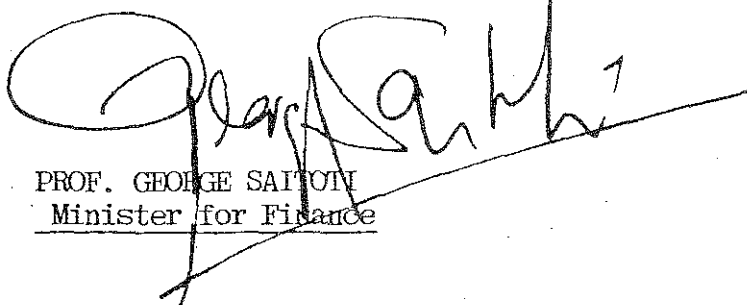
Total Current Loan Liability for Kenya Railways is KShs.1,322,018,344 broken down as above



REPUBLIC OF KENYA

MINISTRY OF FINANCE

11. The proposed additional loans of K.Shs.291.2 million (US \$18.2 million) will raise the loan Liability from K.Shs.1,322,018,344 to K.Shs.1,613, 218,344
12. The National Assembly is requested to approve that the Government may guarantee the loan of US \$ 15.3 million from Export-Import Bank of United States and a loan of US \$2.9 million from Banque Indosuez to Kenya Railways Corporation.
13. The current total contingent Liability of the Government of Kenya in respect of guarantee given under section 3(3) of the guarantee (Loans) Act (Other than more specified in the schedule to the Act) amount to Kf499,550,653 of which Kf452,636,156 is in respect of covenants expressed in foreign currency as per paragraph (b) and Kf46,914,497 is in respect of covenants expressed in Kenya currency as per paragraph (a) of section 3(3) of the Act.



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