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SESSIONAL PAPER No. 2 OF 1979

Kenya Government Guarantee of a Loan to the Industrial Development Bank Limited from the Industrial Development Bank of India

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 the obligations of the Industrial Development Bank Limited (hereinafter referred to as "IDB") in respect of a loan of Rs.20 million (twenty million Indian Rupees) equivalent to approximately KE.920,000 to be granted to IDB by the Industrial Development Bank of India, a Corporation constituted under the Industrial Development Bank of India Act 1964 and having its head office at Jolly Maker Chambers No. 1 Plot No. 227, Nariman Point, 60 Bombay - 4001021, India.
2. IDB was established at the initiative of the Government in January, 1973 to promote and stimulate industrial development of Kenya by providing medium and long term loan finance and participating in equity of various industrial projects which are economically sound, technically feasible and financially viable.
3. The Bank's authorised share capital comprises £10 million Class A and £2 million Class B ordinary shares of KShs.20 each representing the voting and non-voting capital respectively. The Government holds 49% of the voting capital and the balance is held by four wholly Government owned institutions. All Class B ordinary shares

4. IDB will continue to finance most of its investment by raising long term loans from foreign institutional lenders. In this way IDB will play a leading role in finding the foreign exchange needed to finance the importation of capital goods required for industrial development. The loans raised by IDB are on-lent on commercial terms to various industrial enterprises in accordance with Government's development strategy and may be used for both foreign exchange and local costs.
5. The said loan will be used for procurement of capital goods and services from India.
6. The loan will bear interest at the rate of  $8\frac{1}{2}\%$  per annum on the amount of loan disbursed and outstanding from time to time. Such interest will be paid semi-annually in arrears.
7. The principal will be repaid over a period of 7 years after a grace period of two years.
8. All payments by the borrower will be made to Industrial Development Bank of India in Indian Rupees.
9. The loan is conditional upon a guarantee being provided by the Government of Kenya for which Parliament's approval is sought.
10. The current total contingent liability in respect of guarantees issued under Clause 3 of the Guarantee (Loans) Act (excluding liability under collateral and those specified in the schedule to the Act) amounts to K£247,382,436. With the Guarantee of Rs.20 million equivalent to K£920,000 proposed in this Sessional Paper, the aggregate will be increased to K£248,302,436 of which K£6,296,853 will fall within paragraph (a) and K£242,005,583 within paragraph (b) of Clause 3 (3) of the Act.