REPUBLIC OF KENYA

SESSIONAL PAPER No. 6 OF 1979

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

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 U.A. 5 million (five million Units of Account) equivalent to approximately K£ 2.5 million to be granted to IDB by the African Development Bank, a Financial Institution established by the Articles of Agreement drawn up at the Conference of Finance Ministers held at Khartoum in the Sudan in July and August, 1963 and given effect in Kenya by the African Development Bank Act (Cap. 492 of the Laws of Kenya), and having its Head Office at B.P. No. 1387, Abidjan, Ivory Coast.

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, technical feasible and financially viable.

3. The Bank's authorised share capital comprises of £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 Class A share capital and the balance is held by four wholly Government owned institutions. All Class B ordinary shares are held by the Government.

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.

........../2

5. The said loan is to finance part or all of the direct and indirect foreign exchange costs.

6. The loan will bear interest at the rate of 7½% per annum, a statutory commission of 1% per annum on the amount of loan disbursed and outstanding from time to time, and a commitment fee of ¾ of 1% per annum on the undisbursed amount of the credit. Such interest will be paid semi-annually in arrears

7. The principal will be repaid over a period of 10 years after a grace period of 3 years in twenty equal and consecutive semi-annual instalments.

8. All payments will be made to African Development Bank in Units of Accounts.

9. The loan is conditional upon a Guarantee being provided by the Government of Kenya for which Parliament's approval is hereby sought.

10. The current total contigent 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£ 261,077,346. With the Guarantee of U.A. 5 million equivalent to K£ 2,500,000 proposed in this Sessional Paper, the aggregate will be increased to K£ 263,577,346 of which K£ 6,296,853 will fall within paragraph (a) and K£ 257,280,493 within paragraph (b) of Clause 3 (3) of the Act.

HON. MWAI KIBAKI
VICE-PRESIDENT AND MINISTER FOR FINANCE