

SESSIONAL PAPER NO. 5 OF 1978
GOVERNMENT GUARANTEE OF A LOAN TO NAIROBI
CITY COUNCIL BY THE COMMONWEALTH DEVELOPMENT
CORPORATION

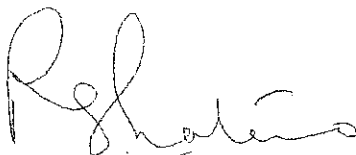
THE GUARANTEE LOANS ACT (CAP.461)

1. In accordance with the provisions of section 5(1) of the Guarantee (Loans) Act, (Cap.461) Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.
2. The Government proposes to guarantee a loan in Pounds sterling one million six hundred thousand (£B.1,600,000) equivalent approximately to Kenya pounds (K£ 1,160,000) (at current exchange rates) to be made to the Nairobi City Council by the Commonwealth Development Corporation.
3. The loan bears interest of 8% per annum, which is a very reasonable figure considering the cost of money in international markets. The loan is repayable over a period of 20 years including a period of ONE year moratorium. As security for the loan, the Nairobi City Council will issue a series of bonds or promissory notes covering each advance, and maturing in accordance with an amortization schedule already agreed upon.
4. This loan is subject upon the provision of a guarantee by the Government under the Guarantee Loans Act covering the principal interest and other charges payable on the enforcement of the guarantee agreement under the Bonds or Promissory Notes to be provided by the Nairobi City Council.
5. The Government has agreed and decided that the Nairobi City Council should obtain the loan it requires for financing the construction of 91 four-bedroomed houses, 112 three-bedroomed houses, 115 two-bedroomed houses and 64 one-bedroomed houses making a total of 382 houses.

The houses are to be located in Buru Buru in the Eastern area of Nairobi. The rental for these houses will range between Shs.1,100/- for the four-bedroomed houses to Shs.500/- for the one-bedroomed houses. This august Assembly does not need to be told of the acute shortage of housing for this type of houses and, indeed housing in general in Nairobi. The Nairobi City Council expects to accommodate 382 families, approximately 2,300 persons, within this scheme, thus help in alleviating the shortage of houses.

6. The National Assembly is requested under this Paper to approve and agree that the Kenya Government extend to the Commonwealth Development Corporation a guarantee in the sums cited in paragraph 2 of this Paper.

7. The current total contingent liability of the Kenya Government in respect of guarantees given under section 3 of the Guarantee (Loans) Act, (other than those specified in the Schedule to the Act) amount to K£ 342,416,291. With the guarantee of K£ 1,160,000 proposed, the aggregate will be increased to K£ 343,576,291 of which K£ 254,827,019 will fall within paragraph (a) and K£ 88,749,272 within paragraph (b) of section (3) of the Act.



HON. ROBERT S. MATANO
MINISTER FOR LOCAL GOVERNMENT.

JULY, 1978.