

Kenya Government Guarantee of Loan to City Council of NAIROBI
by the Federal Home Loan Bank of New York.

THE GUARANTEE (LOANS) ACT (Cap. 461)

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 obligation by the City Council of NAIROBI in respect of a foreign currency loan equivalent to a maximum of ten million US dollars granted by Federal Home Loan Bank of New York.

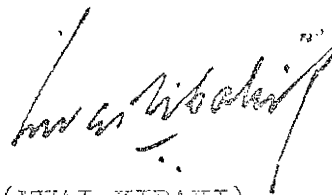
The City Council of NAIROBI is a Local Authority duly constituted under the Local Government Regulations, 1963 and, under Section 222 of the said Regulations, the Council has powers to raise loans for purposes relating to its functions, from such sources, in such amounts, and on such conditions, as the Minister for the time being of Local Government may approve. The Minister has in this respect duly given his approval.

Negotiations have already taken place with both the Federal Home Loan Bank and the United States Government acting through the U.S.A.I.D. whereupon agreement has been reached to the effect that the total proceeds of the said loan will be used to finance the development of a low cost housing estate in Nairobi consisting of two thousand, eight hundred housing units or thereabouts. The construction must start before October 1975. The said estate has already been designed by the City Council and tenders for its construction will be invited during the month of June 1975.

The term of the proposed loan is 27½ years with four years moratorium of repayment of the principal sum. Interest will be payable at the rate of 8.7 per cent per annum plus a U.S.A.I.D. guarantee fee of 0.5 per cent per annum on any outstanding principal amount. The Loan is conditional, inter alia, on the provision of a guarantee by the Kenya Government under the Guarantee (Loans) Act covering all payment of fees.

The Government has decided that the City Council should borrow the funds it requires for the construction of the housing estate abroad since the money so borrowed will help Kenya to get additional foreign exchange. In addition, the proposed housing estate will increase ^{the} housing stock in Nairobi in accordance with objectives laid down in the current Development Plan, and generate employment opportunities for the Wananchi. The rents to be charged on the housing units in the proposed estate will provide the City Council with an income more than sufficient to meet the payments of interest and principal under the Loan Agreement.

The current total contingency liability of the Kenya Government in respect of guarantees given under Clause 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts to K£169,894,063. With the guarantee of the K£3,571,428 proposed, the aggregate will be increased to K£173,465,491 of which K£100,005,519 will fall within paragraph (a) and K£73,459,972 within paragraph (b) of Clause 3(3) of the Act.



(MWAI KIBAKI)

MINISTER FOR FINANCE AND ECONOMIC PLANNING

16th May, 1975