

KENYA GOVERNMENT GUARANTEE FOR A LOAN
TO THE EAST AFRICAN COMMUNITY
FROM THE GOVERNMENT OF THE
REPUBLIC OF ZAMBIA

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 which the Kenya Government is asked to give with the Governments of the United Republic of Tanzania, and the Republic of Uganda in respect of a Government of Zambia loan of Kwacha 3,444,000, which is approximately equivalent to K£1,996,440, at the present rate of exchange, to the East African Community. In addition, the Government of Zambia made a grant to the East African Common Services Organisation amounting to Kwacha 856,000 which is approximately equivalent to K£543,560, at the present rate of exchange. The total amount of Kwacha 4,000,000 (approximately K£2,540,000) represents the amount required for the purchase of plant and equipment for carrying out improvements to the East African Harbours Corporation's facilities at Dar-Es-Salaam, Mtwara and Tanga ports. A period of grace of seven years was provided before the commencement of the repayment of the loan.

2. The loan of Kwacha 3,144,000 is apportioned into two parts, a medium term Loan of Kwacha 1,400,000 and the balance, Kwacha 1,744,000, a long term Loan.
3. The medium term Loan bears interest at the rate of six per centum (6%) per annum payable half-yearly, and calculated on reducing balances of the principal outstanding from time to time. The principal amount of Kwacha 1,400,000 is repayable in two instalments, the first of Kwacha 737,000 was paid on 30th April, 1975 and Kwacha 663,000 shall be paid on 30th April, 1976.
4. The long term Loan likewise bears interest at the rate of six per centum (6%) per annum, payable semi-annually, and calculated on reducing balances on the amount of principal outstanding from time to time. The principal shall be repaid over a period of eight years, commencing on 31st October, 1975, and ending on October 31st 1982.
5. The East African Common Services Organization, had in 1966 asked the Government of the Republic of Zambia to make the Loan available to assist in the financing of a plan of improvements to the East African Railways and Harbours Administration's port facilities in Tanzania which were to be undertaken at the request of the Republic of Zambia for the purpose of handling increased volume of export and import cargo to and from Zambia expeditiously and efficiently. The expansion and modernization of facilities at Dar-Es-Salaam, Mtwara, (including Ubungo Transshipment Depot) and Tanga included the provision of plant and equipment. After the completion of the Project in 1968, the facilities offered did alleviate the ports and led to an improvement in the handling of Zambian cargo.

6. The total cost of this project was Kwacha 4,000,000 (approximately K£2,540,000). The Zambian Government advanced in 1966-1968 both the medium and long term loans amounting to Kwacha 3,144,000 (approximately K£1,996,440) and the grant of Kwacha 856,000 (approximately K£543,560). The East African Community is not under any obligation to pay the principal of the grant referred to above but is required to make payments at the rate of six per centum (6%) interest per annum for a term of twenty years commencing on 31st October 1967, the interest being paid semi-annually.

7. The Finance and Communications Councils of the East African Community gave their approvals for this Project and asked the Partner States to provide the needed guarantees, which were a condition of the making of the original advances by the Zambian Government.

8. Parliament is now requested to agree that the Kenya Government extend to the Government of the Republic of Zambia joint and several guarantees with Tanzania and Uganda for a principal amount of Zambian Kwacha 3,144,000 approximately equivalent (at current rates of exchange) to K£1,996,440 plus interest at 6% per centum per annum on the above amount and on the grant above-mentioned.

9. 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£186,365,494. With the Guarantee of K£1,996,440 proposed in this Sessional Paper, the aggregate will be increased to K£188,361,934 of which K£195,762,662 will fall within paragraph (a) and K£82,599,272 within paragraph (b) of Section 3(3) of the Act.

Minister for Finance and Planning,

The Treasury,

WAIROB

13th November, 1975.