

GOVERNMENT GUARANTEE FOR A LOAN BY THE INTERNATIONAL
BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)
TO THE INDUSTRIAL DEVELOPMENT BANK (K) LTD

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 which the Kenya Government proposes to give in respect of a loan in various currencies equivalent to 5mi.U.S. Dollars (U.S \$ 5mi) or approximately K£1,725,000 at the present rate of exchange, by the International Bank for Reconstruction and Development (World Bank) to the Industrial Development Bank of Kenya. The loan will bear interest at the World Bank's going rate (at present 7¼%) at the time the loan agreement is signed, calculated on the principal amount of loan withdrawn and outstanding from time to time. In addition, there will be a commitment charge at the rate of three-fourths of 1% (¾ of 1%) per annum on the principal amount of the loan not withdrawn from time to time. The loan is repayable over a period not exceeding 15 years beginning January/July 1976 in accordance with an agreed amortization schedule, the interest and other charges are payable semi-annually.

The Industrial Development Bank of Kenya is registered under the Companies Act (Cap 486) and is exempted by the Minister for Finance & Planning from being subject to registration under the Banking Act. Its authorised share capital is K£2mi. and the Promotion Agreement between the two shareholders, the Government and the ICDC, provides for ICDC's shareholding to be 51% and the Government's 49%.

The Industrial Development Bank has asked the International Bank for Reconstruction and Development (World Bank) to make the afore-mentioned loan to assist it in financing development projects through loans and investments in productive enterprises in Kenya. The terms and conditions of the loan oblige the borrower to carry out detailed feasibility studies prior to investments, always to act in accordance with the directive of its Board of Directors, and to obtain prior approval of the World Bank on individual loans or investments of more than US \$ 200,000 (K£69,000). The total amount which the borrower's Board of Directors can approve without prior approval of the World Bank would not exceed 1mi. dollars (K£345,000). The borrower will not invest in any project whose total capital cost including permanent working capital is less than £50,000 and will not invest in an amount of less than £20,000 in any project.

Parliament is now requested to agree that the Kenya Government extends to the International Bank for Reconstruction and Development a guarantee in the sum of 5mi. dollars and interest and other charges thereon.

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 specific in the schedule to the Act amount to K£ 108,356,595.5). With the guarantee of K£1,725,000 proposed in this

Sessional Paper, the aggregate will be increased to
£110,081,595.5 of which K£36,621,623.5 will fall
within paragraph (a) and K£73,459,972 within paragraph
(b) of Section 3 of the Act.

MINISTER FOR COMMERCE AND INDUSTRY.