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SESSIONAL PAPER NO 7 OF 1976.

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

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THE GUARANTEE (LOANS) ACT (CAP. 461)

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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 obligations of the Industrial Development Bank Limited (hereinafter referred to as "IDB") in respect of a foreign currency loan equivalent to a maximum of Units of Account three million (UA 3,000,000) equivalent to US\$3,600,000 (or K£ 1,512,000) to be granted to IDB by the African Development Bank of B.P. 1387 Abidjan, (hereinafter referred to as the "ADB").

The IDB, a Government owned limited liability company, was established in January, 1973 to facilitate industrial development in Kenya by assisting in the promotion, establishment, expansion and modernization of medium or large scale industrial enterprises in the country by way of subscription to share capital or medium and long term loans. IDB partly raises long term loans from foreign financial institutions and in this way, it assists in finding the foreign exchange needed in the country to finance the importation of capital goods for industrial development.

The UA 3,000,000 loan from ADB is repayable by 20 equal and consecutive half yearly instalments of UA 150,000 each, commencing 3 years and finishing 13 years from now. (the last instalment is thus due in December, 1989. The rate of interest will be  $7\frac{1}{2}\%$  p.a. payable half yearly on the principal amount drawn and owing by IDB for the time being. The funds can be used to finance direct foreign exchange costs as well as local costs of the projects to be financed. Proceeds of the loan will be used to finance goods and services from anywhere which are found at competitive prices.

The current total contingent liability of the Kenya Government in respect of guarantee given under clause 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts to K2242,419,479. With the guarantee of a sum equivalent to K21,512,000 now proposed, the guarantee will be increased to K2243,431,479 of which K2155,182,207 falls within paragraph (a) and K288,749,272 within paragraph (b) of clause 3 (3) of the Act.

MINISTER FOR FINANCE AND PLANNING.