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REPUBLIC OF KENYA

SESSIONAL PAPER NO. 11, 1975

Kenya Government Guarantee of a loan to the Industrial Development Bank Ltd. from the International Bank for Reconstruction and Development.

THE GUARANTEE (LOANS) ACT (CAP. 461)

The Treasury

16th June, 1975.

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Kenya Government Guarantee of a loan to the Industrial Development Bank Ltd. from the International Bank for Reconstruction and Development.

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 United States Dollars ten million (US \$10,000,000) (or K£3,571,428) to be granted to IDB by the International Bank for Reconstruction and Development of 1818 H Street N.W. Washington D.C. (hereinafter referred to as "the World Bank").

IDB was established by the Government in January, 1973 to facilitate industrial development in Kenya by assisting in the promotion, establishment, expansion and/or modernization of medium or large scale industrial enterprises in the country by way of subscription to sharecapital and/or medium and long term loans.

The authorised sharecapital of IDB is K£4,000,000 of which K£2,000,000 has already been subscribed by the Treasury and the Industrial and Commercial Development Corporation. It is proposed to allocate part of the other £2,000,000 sharecapital to the Kenya National Assurance Company Ltd. and the National Bank of Kenya Ltd. both of which are companies owned by the Kenya Government. The rest would again be subscribed by the Treasury and ICDC. Thus IDB is a Government owned limited liability company and will continue to remain so.

IDB is expected to finance most of its investment by raising long term loans from foreign institutions. In this way IDB would assist in finding the foreign exchange needed in the country to finance the importation of capital goods for industrial development. In 1973, IDB, with the Guarantee of the Government, obtained a loan of US \$5 million from the World Bank for on-lending to approved investment enterprises in Kenya. This first loan has been fully committed to enterprises spread throughout the country in textiles, vegetable processing, pulp and paper, salt refining, engineering and tourism. The loans raised by IDB are on-lent on commercial terms to various industrial development enterprises in accordance with Government's development strategy and may be used for both foreign exchange and local costs.

The US \$10,000,000 loan from the World Bank is repayable by half-yearly instalments commencing 3 years and finishing 17 $\frac{1}{2}$ years from now, the amount of these instalments being on a rising scale starting at US \$170,000 and finishing at US \$570,000 (the last instalment being due in January, 1993), subject to adjustment according to the on-lending repayment schedules. The rate of interest on the World Bank loan will be 8 $\frac{1}{2}$ % per annum payable half-yearly on the principal amount drawn and owing by IDB for the time being.

The current total contingent 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£175,251,206. With the guarantee of a sum equivalent to K£3,571,428 now proposed, the aggregate will be increased to K£178,822,634 of which K£105,362,662 will fall within paragraph (a) and K£73,459,972 within paragraph (b) of clause 3(3) of the Act.

The Treasury

19th June, 1975