



REPUBLIC OF KENYA

MINISTRY OF FINANCE

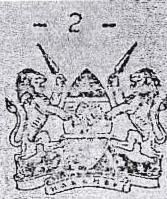
SESSIONAL PAPER NO. 3 OF 1987

KENYA GOVERNMENT GUARANTEE OF A LOAN TO KENYA AIRWAYS LIMITED FROM KENYA COMMERCIAL BANK LIMITED, NATIONAL BANK OF KENYA LIMITED, BARCLAYS BANK OF KENYA LIMITED, COMMERCIAL BANK OF AFRICA LIMITED AND STANDARD CHARTERED BANK AFRICA PLC.

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 for consideration and approval
2. The Government proposes to guarantee:-
 - (a) loan of £19,000,000 to Kenya Airways Limited (hereinafter referred to as 'KA') by Kenya Commercial Bank Limited, National Bank of Kenya Limited, Barclays Bank of Kenya Limited, Commercial Bank of Africa Ltd. Standard Chartered Bank Africa PLC (hereinafter referred to as "the Banks").
 - (b) an issue of Loan Notes not exceeding £5,000,000 of which Standard Chartered Acceptances Limited (hereinafter referred to as "Standard") are the Managers.
3. KA is a body corporate duly organised and existing under companies Act (Cap. 486) of the Laws of Kenya.
KA has a share capital of Kshs. 100 million and is wholly Government owned.
KA, as the National Airline and flag carrier plays an important and critical role in the promotion and sustenance of our Nationhood; the tourist industry and the export trade; especially for perishables.
KA has agreed with AIRBUS INDUSTRIE' Agroument d'interet economique' of France for the supply of two A310-300 aircraft known as Airbus together with relative accessories in order to improve its service and compete with other carriers.

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Speaker N.A.	13 Clerk Asst. IV
Clerk N.A.	
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Clerk Asst. III	



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Arrangements were made for part financing the purchase of the said Aircrafts in the sum of US \$ 100 million from a consortium of European Banks. The Parliament passed a resolution to guarantee the said loan.

The AIRBUS INDUSTRIE' has delivered the two A310-300 aircrafts together with their accessories. The said aircrafts have been commissioned and are now operated by the KA.

4. KA requested the Banks and Standard either to finance or arrange the finance for part of the purchase price of the said aircrafts together with accessories in the proportions hereinafter set out:

(a) The Banks are to provide finance as follows:-

Kenya Commercial Bank Ltd.,	Kshs. 150,000,000
Standard Chartered Bank Africa PLC	Kshs. 100,000,000
Barclays Bank of Kenya Limited	Kshs. 100,000,000
National Bank of Kenya Limited	Kshs. 20,000,000
Commercial Bank of Africa Limited	Ksh. 10,000,000

5. The loan will bear interest at the Commercial rate currently 14% per annum. Such rate shall not exceed the rate of interest specified by the Central Bank of Kenya.

The principal amount of loan will be repaid over a period of five (5) years from the date of drawdown in ten approximately equal and consecutive semi-annual instalments.

Standard will arrange finance for shs. 100,000,000/= by the issues of Notes guaranteed by the Government of Kenya;

The Loan Notes will bear interest at the Commercial rate currently 14% per annum payable quarterly in arrears;

The principal amount of the Loan Notes will be repaid at the end of a period of ten (10) years from the date of the drawdown.

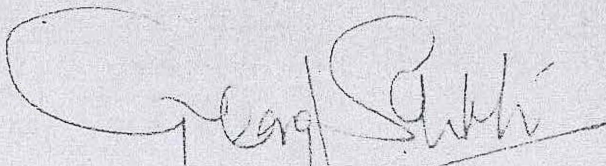
6. By virtue of KA being a wholly owned Government entity and for the reasons stated above, the Government is interested in the operational viability and well being of KA.



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7. The effectiveness of the loan is conditional upon a guarantee being provided by the Government. The National Assembly is therefore requested to approve that the Government may guarantee repayment of the loan referred to above and other charges therein.
8. The current total contingent liability of the Government of Kenya in respect of guarantees given under section 3(3) of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount to K£ 478,072,497 of which K£ 431,158,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and K£ 46,914,497 is in respect of covenants expressed in Kenya currency as per paragraph (a) of section 3 (3) of the Act.



Hon. Prof. George Saitoti
Minister for Finance

