

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

THE GUARANTEE (LOANS) ACT (CAP.461)

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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 by the Government of the obligations of the Industrial Development Bank Limited (hereinafter referred to as "IDB") in respect of a loan of Swiss Francs 10 million equivalent to Kenya shillings 41,304,000/ at current rates of exchange to be granted to IDB by the Swiss Confederation, Berne, Switzerland.
  2. IDB was established at the initiative of the Government in January, 1973 to promote and stimulate the industrial development of Kenya by providing medium and long-term loans and equity finance for industrial projects which are economically sound, financially viable and technically feasible. In approving projects for financing IDB gives considerable weight to projects that are labour intensive and make maximum use of local resources and raw materials.
  3. The authorised share capital of IDB is Ksh. 240 million comprising of Ksh. 200 million Class A ordinary shares and Ksh. 40 million Class B ordinary shares. The Government holds 49% of the Class A ordinary shares, the rest being held in equal proportions of 12% each by wholly owned Government institutions namely: the Industrial and Commercial Development Corporation, the Kenya National Assurance Company Limited, the National Bank of Kenya Limited and Kenya Reinsurance Corporation. All subscribed-Class B shares are held by the Government.

4. The Swiss Confederation has assisted many developing countries towards their industrial development through similar loans. This loan forms part of a Mixed Credit part of which is being granted to IDB by a Consortium of Swiss Banks. The Consortium of Swiss Bank will grant IDB a loan of Swiss Francs 10 million.
5. The Government expects IDB to finance most of its investments by raising long-term loans from foreign institutions. In this way IDB plays a leading role in finding the foreign exchange needed to finance the importation of capital goods required for industrial development. The loans raised by IDB are on-lent on commercial terms to various industrial enterprises in accordance with Government Development strategy.
6. The said loan will be utilised for procurement of Swiss goods and services.
7. The loan will bear no interest.
8. The principal amount of the loan will be repaid over a period of 10 years including a grace period of 10 years.
9. The effectiveness of the loan is conditional upon a guarantee being provided by the Government. The National Assembly is therefore requested to approved that the Government may guarantee repayment of the loan referred to in paragraph I and other charges therein.
10. The current total contingent liability of the Government in respect of guarantees given under Section of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act) amounts to K2312,665,694 with the guarantee of a sum equivalent to K2,065,200 now proposed, the aggregate will be increased to K2314,730,894 of which K212,585,583 will fall within paragraph (c) and K2302,145,311 within paragraph (b) of Section 3 (3) of the Act.

(HON. DR. MUNYUA WAIYAKI)

MINISTER FOR INDUSTRY