

REPUBLIC OF KENYA

SESSIONAL PAPER NO. 2 OF 1975

Kenya Government Guarantee of a loan to
Industrial Development Bank Limited from
Deutsche Gesellschaft fur Wirtschaftliche
Zusammenarbeit (Entwicklungsgesellschaft)
Mbh, of Germany Cologne, Federal Republic
of Germany,

The Guarantee (Loans) Act
(Cap. 461)

THE TREASURY

18TH APRIL, 1975

Kenya Government Guarantee of a loan to Industrial Development Bank Limited from Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) Mbh, of Germany Cologne, Federal Republic of Germany.

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 obligation of the Industrial Development Bank Limited in respect of a foreign currency loan equivalent to a maximum of Deutsche Marks 4 million granted by Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) Mbh (the German Development Company) of Cologne, Federal Republic of Germany, (hereinafter referred to as D.E.G.).

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

The sharecapital of the Bank is held as to 51% by the Industrial and Commercial Development Corporation and 49% by the Treasury. It is therefore a company fully owned by the Government.

In fulfilling the envisaged role, the Bank is expected to raise funds primarily by long term loans from foreign institutions. The loan from D.E.G. is in pursuit of this

at normal commercial terms. The loan from D.E.G. will be used to finance medium scale industrial enterprises within the Government's development strategy. The projects to be financed will be selected and approved by the Board of Directors of the Bank.

The DM 4 million loan from D.E.G. has a maturity of 12 years (including five years grace on repayment of the principal amount) and bears an interest rate of 8 per cent per annum. The funds will be used to finance foreign exchange costs as well as local costs of the projects to be undertaken. Funds are not tied to the purchase of goods from any particular country and can 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 guarantees given under clause 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts to K£123,568,975. With the guarantee of a sum equivalent to K£610,800 now proposed, the aggregate will be increased by K£610,800 of which K£50,109,003 will fall within paragraph (a) and K£74,070,772 within paragraph (b) of clause 3(3) of the Act.

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