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The Kenya Government Guarantee of a loan to the Industrial Development Bank LIMITED from a Consortium of Swiss Banks

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THE GUARANTEES (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:

   Union Bank of Switzerland, 45, Bahnhofstrassee, Surich, Switzerland;

   Credit Swisse, 8 Paradeplatz, Surich, Switzerland;

   Swiss Bank Corporation, I Aeschenvorstadt, Basle, Switzerland;

   Swiss Volksbank, 26 Bundesgasse, Berne, Switzerland;

   Bank Leu Limited, 32 Bahnhofstrassee, Zurich, Switzerland; (hereinafter collectively called "the Swiss Banks").

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.

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3. The authorised share capital of IDB is Kshs. 240 million comprising of Kshs. 200 million Class A. ordinary shares and Kshs. 40 million Class B ordinary shares. The Government holds 49% of the Class A. ordinary shares, the rest being held in equal proportions of 12¾% 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 Banks have in conjunction with the Swiss Confederation assisted many developing countries in their industrial development through similar loans. This loan forms part of a Mized Credit, part of which is being granted to IDB by the Swiss Confederation. The Swiss Confederation will grant to IDB a loan of Swiss Francs 10 million.

5. The Government experts 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 interest at the rate of 1½% above the issuing rate for 8 years term notes at the time of disbursement.

8. The principal amount of the loan will be repaid over a period of 7 years including a grace period of 3 years.

9. The effectiveness of the loan is conditional upon a guarantee being provided by the Government. The

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National Assembly is therefore requested to approve 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 give under Section 3 of the Guarantee (loans) Act (other than those specified in the schedule to the Act) amounts to K£310,600,494 with the guarantee of a sum equivalent to K£ 2,065,200 now proposed, the aggregate will be increased to K£ 312,665,694 of which K£ 12,585,583 will fall within paragraph (a) and K£ 300,080,III within paragraph (b) of Section 3 (3) of the Act.

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MINISTER FOR INDUSTRY