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REPUBLIC OF KENYA

Sessional Paper No. 4 of 1971

**KENYA GOVERNMENT GUARANTEE FOR A LOAN OF
£750,000 TO THE INDUSTRIAL AND COMMERCIAL
DEVELOPMENT CORPORATION**

One Shilling - 1971

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SESSIONAL PAPER No. 4 OF 1971

Kenya Government Guarantee for a loan of £750,000 to the Industrial and Commercial Development Corporation.

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 which the Government proposes to give to the Kenya Commercial Bank Limited in respect of a loan of £750,000 to the Industrial and Commercial Development Corporation for investment in various projects.

2. The Industrial and Commercial Development Corporation which is an autonomous body wholly owned by the Government was incorporated in 1954 under the Industrial Development Act.

At its inception the Corporation was formed with the main objective of promoting and fostering industrial and commercial development in Kenya by the initiation, assistance, or expansion of industrial, commercial or other undertakings or enterprises. To this end the Corporation has expanded its activities quite considerably in recent years in the field of investigating and investing in small, medium and large industrial and commercial projects as well as extending financial assistance in the form of loans to the *Wananchi* for the development of such projects.

In the process of trying to meet these challenges, the Corporation has found itself in the need of more and more funds and the gap between the available funds and the demand has gone on widening. To meet this shortfall, the Corporation has found it necessary to seek additional financial assistance from private institutions such as the Banks and has now successfully negotiated with the Kenya Commercial Bank Limited for a loan of £750,000 to be invested in various identified viable projects.

3. Kenya Commercial Bank Limited has agreed to extend a loan of £750,000 to Industrial and Commercial Development Corporation subject to the following terms:

- (i) Full repayment to be effected within ten years.
- (ii) Moratorium on capital repayment for the first four years during which interest only will be paid. Thereafter the loan will be repaid over six years in half yearly instalments plus interest.
- (iii) Kenya Government Guarantee to be given.
- (iv) Interest to be charged at 7 per cent per annum calculated on daily balances with monthly rests.
- (v) A commitment fee of $\frac{1}{2}$ per cent flat (once and for all basis) to be charged on acceptance of the terms and conditions of the advance.

4. Parliament is now requested to agree that Kenya Government extend to the Kenya Commercial Bank Limited the required guarantee of payment of principal sum and interest thereon in respect of a loan of £750,000 to I.C.D.C.

5. The current total contingent liability of Kenya Government in respect of guarantees given under section 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act) inclusive of the guarantees sought to be given in Sessional Papers Nos. 5 and 6 of 1971 amounts to £70,912,761. With the guarantee of £750,000 proposed by this Sessional Paper the aggregate will be increased to £71,662,761 of which £29,495,647 will fall within paragraph (a) and £42,167,114 within paragraph (b) of section 3 (3) of the Act.

Ministry of Commerce and Industry,
NAIROBI.