



REPUBLIC OF KENYA

MINISTRY OF FINANCE

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SESSIONAL PAPER NO. 7 OF 1986

Kenya Government Guarantee of a Loan to the Industrial Development Bank Limited from the African Development Bank.

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. Government proposes to guarantee the obligation of the Industrial Development Bank Limited (hereinafter referred to as "IDB") in respect of a Loan of UA.20 million (twenty million units of accounts) equivalent to approximately Kenya Shillings three hundred and eighty two million seven hundred thousand (Ksh.382,700,000) to be granted to IDB by the African Development Bank, a Corporation established by the Articles of Agreement drawn up at the Conference of Finance Ministers held at Khartoum in the Sudan in July and August 1968 as set out more particularly in and by the African Development Bank Act (Cap 492 of the Laws of Kenya, and having its Head Office at B.P. No.1387, Abidjan, Ivory Coast.
3. IDB was established at the initiative of the Government in January, 1978 to promote and stimulate industrial development of Kenya by providing medium and long-term loan finance and participating in equity of various industrial projects which are economically sound, technically feasible and financially viable.

The IDB's authorised share capital comprises of £10 million Class A and £2 million Class B ordinary shares of Ksh.20/= each representing the voting and non-voting capital respectively. The Government holds 49% of the Class A share capital and the balance is held by four wholly Government owned institutions. IDB will continue to finance most of its investment by raising long-term loans from foreign institutional lenders. In this way IDB will play 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's development strategy and may be used for both foreign exchange and local costs.

The said loan is to finance part or all of the direct and indirect foreign exchange costs.

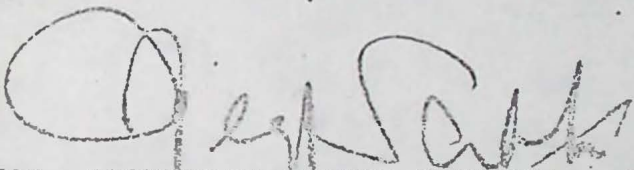
4. The Loan will bear interest at the rate of 10% per annum, a statutory commission of 1% per annum on the amount of loan disbursed and unrepaid from time to time, and a commitment charge of 1% per annum on the undischursed amount of the credit. Such interest will be paid semi annually in arrears.

The Principal will be paid over a period of 12 years after a grace period of 3 years in twenty-four (24) equal, and consecutive semi-annual instalments.

All payments will be made to African Development Bank in Units of Accounts.

5. The Loan is conditional upon a guarantee being provided by the Government of Kenya, for which the National Assembly's approval is hereby sought.

6. The current total contingent liability of the Kenya Government in respect of guarantee issued under section 3(3) of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts 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 in respect of covenants expressed in Kenya currency as per paragraph (a) of Section 3(3) of the Act.



HON. PROFESSOR GEORGE SAITOTI
MINISTER FOR FINANCE
