



REPUBLIC OF KENYA  

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**MINISTRY OF FINANCE**

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Government Guarantee of a loan to Kenya Airways Limited from Kenya Commercial Bank Limited, National Bank of Kenya Limited, Barclays Bank of Kenya Limited, Commercial Bank of Africa and Standard Chartered Acceptances Limited.

THE GUARANTEE (LOANS) ACT, CAP 461

1. In accordance with Section 5 of the Guarantee (Loans) Act, the following information is laid before the National Assembly in connection with a proposed guarantee by the Government of:
  - (a) loan of £19,000,000 to be made to Kenya Airways Limited (hereinafter referred to as 'KA) by Kenya Commercial Bank Limited, National Bank of Kenya Limited, Barclays Bank of Kenya Limited, Commercial Bank of Africa, Standard Chartered Bank Africa PLC (hereinafter referred to as "the Banks").
  - (b) an issue of Loan Notes exceeding £5,000,000 of which Standard Chartered Acceptances Limited (hereinafter referred to as "Standard") are the Managers.
2. KA is a body corporate duly organised and existing under Companies Act (Cap. 486) of the Laws of Kenya.

3. KA has a share capital of Kshs. 100 million and is wholly Government owned.
4. KA, as the National Airline and flag carrier, plays an important and critical role in the promotion and sustenance of our Nationhood; the tourist industry and the export trade; especially of perishables.
5. KA has agreed with AIRBUS INDUSTRIE' agroupment d'interet economique' of France for the supply of two A310-300 aircraft known as Airbus together with relative accessories in order to improve its service and compete with other carriers.
6. THAT arrangements were made for part financing the purchase of the said Aircrafts in the sum of US\$ 100 million from a consortium of European Banks. The Parliament has passed a resolution to gurantee the said loan.
7. THAT AIRBUS INDUSTRIE' has delivered two A310-300 aircrafts together with its accessories. The said aircrafts have been commissioned and are now operated by the KA.
8. KA has requested the Banks and Standard either to finance or arrange the finance for part of the purchase price of the said aircrafts together with accessories in the proportions hereinafter set out:

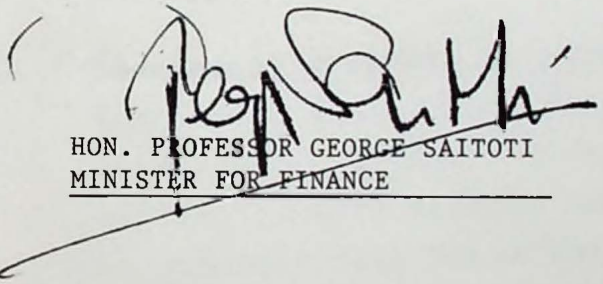
(a) The Banks will provide finance as follows:-

Kenya Commercial Bank Ltd.,	Kshs 150,000,000
Standard Chartered Bank Africa PLC	Kshs 100,000,000
Barclays Bank of Kenya Limited	Kshs 100,000,000
National Bank of Kenya Limited	Kshs 20,000,000
Commercial Bank of Africa Limited	Kshs 10,000,000



- (b) The loan will bear interest at the rate of 14% per annum. Such rate shall not exceed the rate of interest specified by the Central Bank of Kenya.
  - (c) The principal amount of loan will be repaid over a period of five (5) years from the date of drawdown by ten approximately equal consecutive semi-annual instalments.
10. (a) Standard will arrange finance for Shs. 100,000,000/= by the issues of Notes guaranteed by the Government of Kenya;
- (b) The Loan Notes will bear interest at the rate of 14% per annum payable quarterly in arrears;
- (c) The principal amount of the Loan Notes will be repaid at the end of a period of ten (10) years from the date of the drawdown.
11. The effectiveness of the loan is conditional upon a guarantee being provided by the Government. The National Assembly is therefore requested to approve that the Government may guarantee repayment of the loan referred to in paragraph 1 and other charges therein.
12. By virtue of KA being a wholly owned Government entity and for the reasons stated in paragraph 4 above, the Government is interested in the operational viability and well being of KA.

13. 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 Kf498,617,497 of which Kf457,703,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and Kf46,914,497 in respect of covenants expressed in Kenya currency as per paragraph (a) of Section 3(3) of the Act.



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MINISTER FOR FINANCE

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2nd December, 1986