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SESSIONAL PAPER NO. 7 OF 1982

GUARANTEES FOR THE EAST AFRICAN DEVELOPMENT BANK

1. EADB was established as a development finance institution to provide, financial and related assistance to enterprises in the Member States which, by their activities, would make a positive contribution to economic development.
2. The new EADB Charter became effective on 23rd July, 1980, upon the signatures of the Government of Kenya, Tanzania and Uganda. The amendments to the previous Charter were in accordance with proposals made by the Mediator for the East African Community.
3. In April, 1977 the borrowing strategy for the Bank was adopted on the basis of its lending programmes for 1981 and 1982; fixed at Shs. 425 million to be funded as follows:

Equity contributions	Shs. 20 million
Concessionary borrowing	Shs. 280 million
Commercial borrowing	Shs. 125 million
T O T A L	Shs. 425 million

4. An ADB line of credit amounting to UA 10 million (\$12 million) was negotiated on the strength of this strategy. The credit will be applied towards meeting the foreign exchange costs of the projects financed by the Bank.
 - 4.1 Beneficiaries of the credit will be small and medium scale industrial projects approved by the Bank. The maximum amount of Bank financing shall not exceed the equivalent in any foreign currency, of UA 2 million (\$2.4m) per project.
 - 4.2 The line of credit will be repaid in 10 years, after a grace period of three years from the date of the agreement. It attracts interest at 7% and a statutory commission of 1%. The credit is conditional upon a guarantee on a 1/3 basis by the three Governments. Kenya's share of the guarantee amounts to UA 3.3 million or Shs. 40.0 million.

5. The current total contingent liability of the Government in respect of guarantees issued under section 3 of the Guarantee (Loans) Act (excluding those specified in the schedule to the Act) amounts to KSh 348,574,780 of which KSh 317,989,108 is in respect of covenant expressed in foreign currency and KSh 20,585,582 in respect of covenant expressed in Kenya currency.

With the guarantee of UA-3.3 million, equivalent to KSh 2,020,000 now proposed, the aggregate will be increased to KSh 350,594,780 of which KSh 20,585,582 will fall within paragraph (a) of which the ceiling is KSh 100 million and KSh 330,009,198 within paragraph (b) of which the ceiling is KSh 350 million section 3(3) of the Act.



(A. MAGUGU)

MINISTER FOR FINANCE