



Library. 30 ✓

REPUBLIC OF KENYA

MINISTRY OF FINANCE

SESSIONAL PAPER NO. 8 OF 1986

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 K£498,617,497 of which K£457,703,000 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

2nd December, 1986



REPUBLIC OF KENYA

MINISTRY OF FINANCE

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 undisbursed 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 KSh478,072,497 of which KSh431,158,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and KSh46,914,497 in respect of covenants expressed in Kenya currency as per paragraph (a) of Section 3(3) of the Act.



HON. PROFESSOR GEORGE SAITOTI  
MINISTER OF FINANCE

