

SESSIONAL PAPER NO. 4 1972

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GOVERNMENT GUARANTEE FOR A LOAN BY THE GOVERNMENT OF SWEDEN TO THE EAST AFRICAN DEVELOPMENT BANK

THE GUARANTEE (LOANS) ACT CAP 461

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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 Kenya Government proposes to give jointly and severally with the Governments of the United Republic of Tanzania and the Republic of Uganda, in respect of a loan in the sum of twenty five million Swedish kronners (SK 25,000,000) or approximately K£ 1.85 million at the present rate of exchange, by the Government of Sweden to the East African Development Bank. The loan will bear interest at the rate of 2% per annum on the principal amount of loan withdrawn and outstanding from time to time. The interest shall be payable semi-annually. The loan is repayable in semi-annual instalments over a period of fifteen years beginning 31st December, 1982 and ending 30th June, 1997, already said above.

The East African Development Bank is established under the Treaty for East African Co-operation, its Charter being set out in Annex IV of the Treaty.

The East African Development Bank has asked the Government of Sweden to make the aforementioned loan to assist it in financing industrial projects in the three Partner States through loans and investments. The terms and conditions of the loan oblige the borrower to carry out detailed feasibility studies prior to investments; to consult regularly the Partner States on any changes in its policies and programmes and always to act in accordance with the directives of its Board of Directors on which the three Partner States are represented; and to obtain the prior approval of the lender on individual loans or investments of more than four million Swedish Kronners (or 5.8 million shillings). Furthermore, emphasis in selection criteria shall be placed on the employment of contents of projects proposed to be financed.

The terms and conditions of the proposed loan are

extremely soft; the project selection criteria fit into the policies of the Partner States and the East African Development Bank already has approved projects requiring immediate financial support.

Parliament is now requested to agree that the Kenya Government extend to the Government of Sweden joint and several guarantees in the sum of SK 25 million (or about K£ 1.85 million).

The current total contingent liability of the 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 guarantee sought to be given in Sessional Papers Nos. 3 of 1972 amount to K£ 79,106,690. With the guarantee of K£ 1,850,000 proposed in this Sessional Paper, the aggregate will be increased to K£ 80,956,690 of which K£ 33,368,147 will fall within paragraph (a) and K£ 47,588,543 within paragraph (b) of Section 3 of the Act.

The Treasury  
NAIROBI

8th June, 1972.