SESSIONAL PAPER NO. 4 OF 1979

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GOVERNMENT GUARANTEE OF MONEYS LENT TO DEVELOPMENT IN FINANCE COMPANY OF KENYA LIMITED BY EIB LUXEMBOURG OF THE EUROPEAN ECONOMIC COMMUNITY TO FINANCE THE

VARIOUS DEVELOPMENT PROJECTS

PARLIAMENT OF KENYA LIBRARY

THE GUARANTEE (LOAN) ACT, CAP 461

In accordance with provisions of the Guarantee (Loan) Act, (Chapter 461 of the Laws of Kenya) the following information is laid before the National Assembly for consideration and approval.

1. The Government proposes to guarantee a loan of 5,000,000 European Units of Accounts (equivalent to approximately Kenya Shillings fifty million) to be made to Development Finance Company of Kenya Limited by the European Investment Bank, Luxembourg, in accordance with European Economic Community's indicative aid programme to Kenya under the ACP/EEC Convention of Lome.

2. The Loan is to be utilised for financing of industrial projects by the Development Finance Company of Kenya Limited and will supplement the Government's efforts in the development of the industrial sector.

3. The Development Finance Company of Kenya Limited (DFCK) was incorporated on 13th September 1963. The authorised and issued share capital is Shs 30 million of which Shs 60 million has been paid up in varying proportions by the Industrial and Commercial Development Corporation (ICDC, a statutory body established by an Act of Parliament), the Commonwealth Development Corporation (a British statutory body), the Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH (German Development Company Ltd) and the Nederlandse Financierings - Maatschappij voor Ontwikkelingslanded N.V. (Netherlands Finance Company for Developing Countries Ltd).

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THE GUARANTEE (LOAN) ACT. CAP 661

In accordance with provisions of the Guarantee (Loan) act, (Chapter (6) of the Laws of Kenya) the following information is loid before the National Assembly for consideration and approval.

1. The Sovermoent proposes to guarantee a loss of 5,000,000 European Units of Accounts (equivalent to approximately Kenya Shillings fi(fty tellion) to be made to Development Finance Company of Kenya Listted by the European Investment Bank, Laxembourg, in accordance with European Economic Community's indicetive aid programs to Kenya under the ACP/EEC Convention of Long.

2. The Loan is to be utilised for financing of industrial projects by the Bevalopment Firance Company of Scuya Limited and vill supplement the Government's efforts in the development of the industrial sector.

3. The Nevelopment Linance Company of Kenya Limited (NPGK) was incorporated on 13th September 1963. The authorized and issued share capital is Sha 30 willion of which She 60 million has been paid up in varying propertions by the Industrial and Committeel Development Componetion (ICDC, a statutory body established by an Act of Parliamont), the Commonwealth Development Componetion (Sector Commonwealth Development Componet (Entwicklungsgeselischaft) and fur virtachaftliche Zusammenarbeit (Entwicklungsgeselischaft) why (German Development Compony Ltd) and the dedatlandse N.V.

In addition, these shareholders have provided Shs 60 million by way of income notes in equal proportions and further income notes of Shs 20 million have been subscribed equally by the Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH (Germany Development Company Ltd) and the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Netherlands Finance Company for Developing Countries Ltd) under separate income note Agreement.

4. The loan will bear interest at the rate of about $6\frac{3}{4}$ per cent per annum calculated on the amount of the loan drawn and outstanding from time to time. Interest on the loan principal will be paid half-yearly in arrears.

5. The loan carries a grace period of 4 years and the principle amount will be repaid to the lender over 7 years by equal halfyearly instalments starting on 30th September 1983.

6. The loan is conditional upon a guarantee being provided by the Government of Kenya for which Parliament's approval is sought.

7. All payments under the loan agreement are to be made by the borrower to European Investment Bank in the currency in which the loan has been disbursed.

8. The current total contingent liability of the Government in respect of all guarantees provided to date under Section 3 of the Guarantee (Loan) Act (excluding liability under collateral and those specified in the schedule to the Act) amounts to K£ 268,177,346. With the guarantee of 5,000,000 European Units of Account (equivalent to KShs 50 million) proposed in this Sessional Paper, the aggragate will be increased to K£270,677,346 of which K£6,296,853 falls within paragraph (a) and K£264,380,583 within paragraph (b) of Section 3(3) of the Act. To a division these marcholours and provided She bu million by wey of income books in court proportions in further incommatrixed She 20 million have be a physicibed equally by the Deutseant Gravitechnic in Mirtschaftlicht Zusternerbill Generatietianescellstial) and (Generary Development Courten) itd) and the Nederlandse Financiaringe Jastronaphi von patriculingelanden hete Generary Development Courten) intervision the Nederlandse Financiaringe Statemaphi von patriculingelanden hete Generate Income note Argente

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5. The lost corrises a price price of 4 years and the tribely provide will be repeid to the lender over 7 years broaded failtyearly instalement reaction on 37th aspentier 1903.

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B. The servest total contingent institute of the Constances in coopert of all guarantons provided to deba under Seletion 3 of the Squarety Goost act demotration 1) within ander so Inte and Greas spectfied in the sphedule to the tot) statute to be to just, 243. Migh the subsequence of 5,000,000 toropean thats of Account (contrated to She 50 million) proposed in this scation: Paper, the segrador will be increased to scatter is scatter the segrador of the statute of and iteob. Contain Residence (b) of Section 3(3) of the and iteob. (contain paragraph (c) of Section 3(3) of the and iteob. (c) of this paragraph (c) of Section 3(3) of the

> (F. L. MALIFICA) Likister för Conmacce & Indosury