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SESSIONAL PAPER NO. 9 OF 1976.

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Government Guarantee for a loan by the First National City Bank, Nairobi, to Panafrican Paper Mills (E.A.) Limited.

GUARANTEE (LOANS) ACT (CAP. 461).

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.

The Government proposes to guarantee a loan of U.S. \$ 3.5 million, equivalent to approximately K£. 1.47 million, to be made to Panafrican Paper Mills (E.A.) Limited, (here-in-after referred to as "PPM") by the National City Bank (here-in-after referred to as "Citibank"). The loan will bear a going rate of interest of 2.25% over the cost of funds in the London Inter-Bank Over-Seas (LIBO) Market. This means approximately a going rate of interest of 10 to 12% per annum. There will be a commitment charge of the rate of $\frac{3}{4}$ of 1% per annum on the principal amount of the loan not withdrawn from time to time. The loan plus interest is repayable over a period of five years beginning from December, 1977 to June, 1982, in accordance with an agreed amortization schedule.

The P.P.M. is a company incorporated in Kenya and subscribed to by the Government of Kenya (33.9%), Oriental Paper Mills Limited (29.3%), International Finance Corporation (24.9%), Industrial and Commercial Development Corporation (5.2%), East African Development

purpose of manufacturing variety of paper, thereby utilizing forest wood in the Country and providing paper for Local Consumption and export.

The loan from the Citibank is to assist PPM in providing much needed working capital. This will be used mainly in purchasing inputs such as wood-logs, stores, and small credit to its customers that are still new in distribution business. The loan is very necessary, without which the company will not be able to meet its requirements. The Parliament is now requested to agree that the Kenya Government extend to the Citibank guarantee in the sum of U.S. \$ 3.5 million as a loan to PPM.

The current total contingent liability of the Kenya Government in respect of guarantees given under clause 3 of the Guarantee (loans) Act (other than those specified in the schedule to the Act) amounts to K£. 244,931,479 with the guarantee of a sum equivalent to K£ 1,470,000 now proposed, the aggregate will be increased to K£ 246,401,479 of which K£ 157,652,207 will fall within paragraph (a) and K£ 88,749,272 within paragraph (3) of clause 3 (3) of the Act.

MINISTER FOR FINANCE AND PLANNING.

18th September, 1976.