



REPUBLIC OF KENYA

MINISTRY OF FINANCE

Handwritten: Wherry

OFFICER NAME	No.
Speaker N.A.	1
Clerk N.A.	1
Clerk Asst. I	1
Clerk Asst. II	1
Clerk Asst. III	1

Handwritten: 7/7/89

Category	Count
Reporters	1
Press	1
Library	1
Handwritten	1

SESSIONAL PAPER NO. 7 OF 1989

KENYA GOVERNMENT GUARANTEE OF LOANS TO KENYA AIRWAYS LIMITED

FROM CREDIT LYONNAIS BANK NEDERLAND N.V.

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. Kenya Airways is a body corporate existing under Companies Act (Cap. 486) of the Laws of Kenya. Kenya Airways has a share capital of KShs.100 Million and it is wholly Government owned. Kenya Airways as the national flag carrier plays an important and crucial role in the promotion and sustenance of our Nationhood; The tourist industry and the export trade; especially for perishable. By virtue of Kenya Airways being a wholly owned Government entity, the Government is interested in the operation viability and well being of Kenya Airways.
3. Kenya Airways embarked on a programme of modernising its aircraft fleet in order to improve its services and compete with other carriers. Kenya Airways is now in the final phase of this programme. Kenya Airways has entered into a contract with :-



REPUBLIC OF KENYA

MINISTRY OF FINANCE

- 2 -

- (a) Fokker Aircraft B.V. of Amsterdam, the Netherlands, for the purchase of one Fokker 50 Aircraft and related spares package at a total cost of US \$ 19,428.623 which is equivalent to KShs.425,486,844
- Credit Lyonnais Bank Nederland N.V. and the holders of Promissory Notes under the Purchase Agreement (hereinafter referred to as the Lenders) have agreed to lend Kenya Airways Limited the sum of US \$ 16,514,329 which is equivalent to KShs.361,663,805.
- The loan of US \$ 16,514,329 is the balance of the purchase price of US \$ 19,428,623 less the advance payment of US \$ 2,914,294 to enable Kenya Airways acquire the Aircraft. The Lenders have agreed to grant Kenya Airways a twelve (12) years credit facility in order to enable Kenya Airways to meet its obligations conditional to a duly executed letter of guarantee by the Government of Kenya.
- (i) Kenya Airways will repay the amount due to the Lenders in twenty four (24) consecutive half yearly instalments the first of which shall become due six (6) months after the delivery of the last aircraft or on June 15th 1991 whichever, date is earlier.
- (ii) Kenya Airways shall pay interest to the lenders on the outstanding amount at the rate of 11.4 per cent during the first two years after the delivery date and at a rate of 8.3 per cent per annum on the outstanding amount during the last ten years.



REPUBLIC OF KENYA

MINISTRY OF FINANCE

- 3 -

(iii) Kenya Airways shall pay to the Lenders a commitment fee of 0.5 per cent within (30) days of the signing of the loan agreement and the Promissory Notes, the said being calculated on the total of the loan.

(iv) Kenya Airways shall also pay to the Lenders (for the first time) within 30 days of the signing of the Loan agreement and the Promissory Notes a management fee of 0.75 per cent of the amount of the loan and thereafter at the rate of 0.375 per cent on repayment of each instalment.

5. The total external loan liability of Kenya Airways guaranteed by the Kenya Government is KShs.2,253,187,128 as at 31st October, 1989. The proposed additional loan of KShs.361,663,805 will raise the External liabilities for Kenya Airways guaranteed by the Kenya Government to KShs.2,614,850,933.
6. The National Assembly is requested to approve that the Government may guarantee a loan of US \$ 16,514,329 equivalent to KShs.361,663,805 from Lenders to Kenya Airways Limited.
7. The current contingent liabilities of the Government in respect of Guarantee (loans) Act (Other than those specified in the schedule to the Act) amounts to K£ 868,368,438 and with this guarantee of a sum equivalent to K£ 18,083,190

...../4



REPUBLIC OF KENYA

MINISTRY OF FINANCE

- 4 -

the aggregate will be increased to K& 886,451,628 of which
K& 83,489,479 will fall within paragraph (a) and
K& 802,962,192 within paragraph (b) of section 3(3)
of the Act.

A handwritten signature in black ink, appearing to read 'George Saitoti', written over a horizontal line.

HON. PROF. GEORGE SAITOTI
VICE PRESIDENT AND MINISTER FOR FINANCE