



REPUBLIC OF KENYA

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## MINISTRY OF FINANCE

SESSIONAL PAPER NO .1..... 1993

KENYA GOVERNMENT GUARANTEE OF A LOAN TO KENYA TEA DEVELOPMENT AUTHORITY FROM EUROPEAN INVESTMENT BANK AND COMMONWEALTH DEVELOPMENT CORPORATION (CDC)

1. 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 by the Government in respect of a loan of ECU 18,000,000 equivalent to Kf65,734,650 from European Investment Bank and a loan of Stgfl3,000,000 equivalent to Kf60,509,345 from Commonwealth Development Corporation (CDC) to Kenya Tea Development Authority.
2. The Kenya Tea Development Authority (KTDA) a wholly owned Government Company, is undertaking a project comprising the construction of one tea factory in Vihiga District and expansion of 23 existing tea factories under its management. The Company's factories to be expanded in 1992/93 and anticipated to be commissioned in 1993 comprising the first phase of Borrower's expansion programme are:-

<u>Factory</u>	<u>District</u>	<u>Factory</u>	<u>District</u>
Kiru	Murang'a	Mununga	Kirinyaga
Kiegol	Meru	Kinoro	Meru
Kapkoros	Kericho	Kapset	Kericho
Mungania	Embu	Theta	Kiambu
Rukiriri	Embu	Kanyenyaini	Murang'a
Gathuthi	Nyeri		

The factory to be expanded in 1993/94 and anticipated to be commissioned in the second phase of the Borrower's expansion programme are:-



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<u>Factory</u>	<u>District</u>	<u>Factory</u>	<u>District</u>
Nyansiongo	Kisii	Ikumbi	Murang'a
Kebirigo	Kisii	Tegat	Kericho
Nyankoba	Kisii	Kambaa	Kiambu
Mataara	Kiambu	Makomboki	Murang'a
Njunu	Murang'a	Thumaita	Kirinyaga
Ndimu	Kirinyaga	Ogembo	Kisii

3. The cost of the project will be partially financed as follows:-

		<u>ECU</u>	<u>K£</u>
		<u>Millions</u>	
Borrower's own funds	ECU	10.5	39,805,982
Long-term loan from Commonwealth Development Corporation (CDC)	Stg£	13.0	60,509,345
European Investment Bank	ECU	18.0	65,734,650
			<u>166,049,977</u>

4. The loan of ECU 18 million from European Investment Bank has the following financial terms:-

- (i) The loan shall bear interest at a nominal subsidized annual rate of 5% per annum and shall be payable semi-annually.
- (ii) The loan will carry a maturity of 15 years, 11 years repayment period payable semi-annually and 4 years grace period.
- (iii) The loan has a grant element of 25.44%. The loan is concessional i.e. soft-term loan.



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5. The loan Stg£13,000,000 from Commonwealth Development corporation has the following terms:-
  - (i) The loan shall bear interest rate of 7.5% per annum payable semi-annually.
  - (ii) The loan will carry a maturity of 14 years, 12 years repayment period payable semi-annually and 2 years grace period.
  - (iii) The loan has a grant element of 7.80%. The loan is non-concessional or commercial.
6. As at 30th April, 1993 the KTDA had outstanding foreign loans of approximately US\$12,425,000 equivalent to K£37,444,477 at the exchange rate of Ksh.60.2728 per dollar. With the additional loans of K£126,243,995 the total external indebtedness of KTDA will increase to K£163,688,472.
7. The National Assembly is required to approve the Government guarantee of a loan of ECU 18,000,000 equivalent to K£65,734,650 from European Investment Bank and a loan of Stg£13,000,000 equivalent to K£60,509,345 from Commonwealth Development Corporation to Kenya Tea Development Authority at exchange rate of Ksh.73.0385 per ECU and Ksh.93.0013 per Sterling pound respectively.
8. The current total contingent liability of the Government of Kenya in respect of guarantees given under Section 3(3) of the Guarantee Loans Act (other than those specified in the schedule of the Act) amount to K£3,342,241,044 and with the guarantee of Kshs.2,524,879,900 equivalent to K£126,243,995 which is proposed in this Sessional Paper, the aggregate amount will be increased to K£3,468,485,039 of which K£40,163,044 for local guarantee fall within paragraph (a) and K£3,428,321,995 for external guarantee fall within paragraph (b) of Section 3(3) of the Act.

HON. MUSALIA MUDAVADI

MINISTER FOR FINANCE