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REPUBLIC OF KENYA

Sessional Paper No. 2 of 1971

**KENYA GOVERNMENT GUARANTEE FOR A LOAN
TO THE INDUSTRIAL AND COMMERCIAL
DEVELOPMENT CORPORATION**

SESSIONAL PAPER NO. 2 OF 1971

KENYA GOVERNMENT GUARANTEE FOR A LOAN TO THE INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION

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 which the Government proposes to give to the Barclays Bank D.C.O. in respect of a loan of K£500,000 to the Industrial and Commercial Development Corporation for the purposes of financing small Commercial, Industrial and property Loans scheme.

2. The Industrial and Commercial Development Corporation (ICDC) was incorporated in 1954 and for the following declared objectives *inter alia*:—

(i) Promotion of Industrial and Commercial Development in Kenya by initiation, assistance or expansion of Industrial, Commercial or other undertakings or enterprises.

(ii) Rendering consultancy services and extension services particularly in the field of management practices, cost accountancy, book-keeping, etc.

3. An additional function that has attained more prominence especially in post Independence period is that of extending financial Assistance to the African businessmen. In pursuance of the Government's declared policy of bringing into the hands of the *Wananchi* the control of the greater portion of this nation's wealth, ICDC has had to step up its volume of lending money to the up and coming African entrepreneurs for the development of small commercial, industrial and property enterprises. In recent years, especially following the implementation of Trade Licensing in 1967, the demand for the loans has gone up quite considerably. Consequently, ICDC has found itself in an unenviable position of having to deal with so much demand from deserving applicants. An assessment carried out during the middle of 1970 indicated that the Corporation had a shortfall of nearly K£700,000.

4. To meet this gap, ICDC approached the Government for additional funds, and as the Government did not have sufficient funds for this purpose, ICDC was authorized to raise funds from financial institutions. Following negotiations, Barclays Bank D.C.O. agreed to lend ICDC K£500,000 under the following terms:—

(i) Government guarantee for repayment to be given.

(ii) Repayment of capital to be made by 9 equal instalments annually from 30th June, 1972 the last payment being 30th June, 1980, each payment being K£55,555-11-00, (KSh. 1,111,111) and the ninth payment being K.Sh. 1 more. This will then repay the loan over ten years from 30th June, 1970.

(iii) Interest to be charged at the minimum commercial rate subject to a minimum of 7 per cent. Interest will be charged on monthly rests.

5. Parliament is now requested to agree that Kenya Government extend to the Barclays Bank D.C.O. the required guarantee of payment of principal sum and interest thereon in respect of a loan of K£500,000.

6. The current total contingent liability of 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 guarantees sought to be given in Sessional Paper 1 and this Paper No. 2, amount to K£57,941,674. With the guarantee of K£500,000 proposed by this Sessional Paper the aggregate will be increased to K£58,441,674 of which K£16,274,560 will fall within paragraph (a) of section 3 (3) of the Act.

Ministry of Commerce and Industry,
NAIROBI.

January, 1971.