

GUARANTEE FOR LOAN TO NAIROBI CITY COUNCIL BY
THE COMMONWEALTH DEVELOPMENT CORPORATION

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 Commonwealth Development Corporation (C.D.C.) in respect of a loan of £1,000,000 sterling, (K£860,000) for the construction of the Nairobi City Council's Aerodrome Road housing project.

This housing project is already under construction on 190 acres of vacant land near Nairobi Dam. This project will provide 408 three bedroom flats and 192 two bedroom flats, making a total of 600 flats on 4 storey blocks. There will also be built a primary school and 40 acres landscaped open space for recreational purposes. The flats will be built to a high standard of finish and the approximate rental for the two categories of flats will be about Shs.500/- and Shs.440/- respectively. There is considerable demand for flats in this price range.

The total capital cost of the project will be K£1,460,000 for which finance will be found as follows:-

Loans of £1,000,000 sterling from C.D.C.	K£860,000
Loans from National Housing Corporation	<u>K£600,000</u>
	<u>K£1,460,000</u>

The loan will be secured by a charge on the rates and revenue of the City Council, and, in view of the considerable unsatisfied demand for housing in this category, the Government considers the risk of default on the part of the Nairobi City Council in meeting its loan obligations to be minimal; Accordingly the House is asked to approve the proposal that the Government should guarantee repayment by equal half yearly instalments over a period of 20 years from 1973 to 1993 together with interest thereon at the rate of 8½% per annum of a loan of £1,000,000 sterling to be made by C.D.C. of London, England to Nairobi City Council towards the cost of financing the Aerodrome Road Housing Project.

The current total contingent liability of the 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 Papers Nos.4, 5 and 6 of 1971 amounts to K£71,662,761. With the guarantee of K£860,000, (£1,000,000) proposed by this Sessional Paper the aggregate will be increased to K£72,522,761 of which K£30,355,647 will fall within para. (a) and K£42,167,114 within paragraph (b) of Section 3(3) of the Act.

K. Shs. 16,160,740 plus any interest and dividend arrears, for which the approval of the Assembly is now sought.

The current total contingent liability of Kenya Government in respect of all guarantees given to date under section 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act), amounts to K. £66,655,960. With the guarantee of K. £808,037 equivalent proposed by this Sessional Paper, the aggregate will be increased to K. £67,463,997 of which K. £25,296,883 falls within paragraph (a), and K. £42,167,114 within paragraph (b), of section 3 (3) of the Act.

Minister for Agriculture

23rd July, 1971.