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REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY  
GOVERNMENT OF KENYA FROM 1<sup>ST</sup> MAY 2023 TO 31<sup>ST</sup> AUGUST 2023

THE NATIONAL ASSEMBLY PAPER LAD	
DATE: 04 OCT 2023	DAY: WED
TABLED BY:	Hon Naomi Wago, MP Deputy Majority Party Whip
CLEAR AT THE TABLE:	Enlajs Mwiru

# **REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY GOVERNMENT FROM 1<sup>ST</sup> MAY 2023 TO 31<sup>ST</sup> AUGUST 2023**

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## **Section 1- Introduction**

This report on new loans is prepared in accordance with section 31 (3) of the Public Finance Management Act, 2012 and covers the period from 1<sup>st</sup> May 2023 to 31<sup>st</sup> August 2023. Section 31(3) requires that *“At the end of every four months, the Cabinet Secretary shall submit a report to Parliament stating the loan balances brought forward, carried down, drawings and amortizations on new loans obtained from outside Kenya or denominated in foreign currency, and such other information as may be prescribed by regulations, specifying—*

- (a) the names of the parties to the loan;*
- (b) the amount of the loan and the currency in which it is expressed and in which it is repayable;*
- (c) the terms and conditions of the loan, including interest and other charges payable and the terms of repayment;*
- (d) the amount of the loan advanced at the time the report is submitted;*
- (e) the purpose for which the loan was used and the perceived benefits of the loan.”*

## **Section 2 - Details of the new loans.**

This section of the report contains nine (9) new loans contracted between Government of Kenya and, bilateral, multilateral and commercial creditors. Eight of the loans are from multilateral lenders, and one from commercial lender. The total value of the 9 new loans signed is equivalent to Kshs. 271,808,067,053. Four of the loans had disbursed by the time of submitting this report. The loans are as follows:

### **1. The Fiscal Sustainability and Inclusive Green Growth Development Policy Operation**

#### **i. The parties to the loan**

The loan was signed on 30<sup>th</sup> May 2023 between the International Development Association (IDA) as the lender and Government of Kenya as the borrower.

#### **ii. The amount of the loan and the currency**

The amount of the loan is USD 185,000,000 approximately equivalent to Kshs. 27,221,122,000 and will be repaid in US dollar.

#### **iii. The terms and conditions of the loan**

The loan will be repaid in 40 equal semi-annual repayments of USD 3,052,500 from 15<sup>th</sup> September 2028 through to 15<sup>th</sup> March 2048 and 10 equal semi-annual instalments of USD

6,290,000 from 15<sup>th</sup> September 2048 through to 15<sup>th</sup> March 2053. The interest rate of the loan is 1.25 percent per annum plus the Basis Adjustment and the service charge is 0.75 percent per annum plus the basis adjustment on the withdrawn credit balance. The commitment charge rate is 0.5 per cent per annum on the unwithdrawn financing balance.

**iv. The purpose for the loan**

To create fiscal space in a sustainable and equitable manner, to improve competitiveness to boost agricultural exports, and to improve governance and financial inclusion for private sector driven development.

**2. The Fiscal Sustainability and Inclusive Green Growth Development Policy Operation**

**i. The parties to the loan**

The loan was signed on 29<sup>th</sup> May 2023 between the International Bank for Reconstruction and Development (IBRD) as the lender and Government of Kenya as the borrower.

**ii. The amount of the loan and the currency**

The amount of the loan is USD 500,000,000 approximately equivalent to Kshs. 73,570,600,000 and will be repaid in US dollar.

**iii. The terms and conditions of the loan**

The loan will be repaid in 26 equal semi-annual repayments of USD 18,500,000 from 15<sup>th</sup> September 2028 through to 15<sup>th</sup> March 2048 and 1 instalment of USD 19,000,000 on 15<sup>th</sup> September 2041. The interest rate of the loan is the reference rate plus the variable spread. The commitment charge rate is 0.25 per cent per annum on the unwithdrawn loan balance and a front-end fee of 0.25 per cent of the loan amount.

**iv. The purpose for the loan**

To create fiscal space in a sustainable and equitable manner, to improve competitiveness to boost agricultural exports, and to improve governance and financial inclusion for private sector driven development.

**3. The Fiscal Sustainability and Inclusive Green Growth Development Policy Operation**

**i. The parties to the loan**

The loan was signed on 29<sup>th</sup> May 2023 between the International Development Association (IDA) as the lender and Government of Kenya as the borrower.

**ii. The amount of the loan and the currency**

The amount of the loan is USD 315,000,000 approximately equivalent to Kshs. 46,349,478,000 and will be repaid in US dollar.

**iii. The terms and conditions of the loan**

The loan will be repaid in 11 equal semi-annual repayments of USD 26,250,021 from 15<sup>th</sup> September 2029 through to 15<sup>th</sup> September 2034 and 1 instalment of USD 26,249,769 on 15<sup>th</sup> March 2035. The commitment charge rate is 0.5 per cent per annum on the unwithdrawn financing balance.

**iv. The purpose for the loan**

To create fiscal space in a sustainable and equitable manner, to improve competitiveness to boost agricultural exports, and to improve governance and financial inclusion for private sector driven development.

**4. Food Systems Resilience Program for Eastern and Southern Africa Phase 3 under the Multiphase Programmatic Approach**

**i. The parties to the loan**

The loan was signed on 3<sup>rd</sup> July 2023 between the International Development Association (IDA) as the lender and Government of Kenya as the borrower.

**ii. The amount of the loan and the currency**

The amount of the loan is EUR 46,100,000 approximately equivalent to Kshs. 7,229,157,670 and will be repaid in Euro.

**iii. The terms and conditions of the loan**

The loan will be repaid in 11 equal semi-annual repayments of EUR 3,841,670 from 15<sup>th</sup> October 2029 through to 15<sup>th</sup> October 2034 and 1 instalment of EUR 3,841,633 on 15<sup>th</sup> April 2035. The commitment charge rate is 0.5 per cent per annum on the unwithdrawn financing balance.

#### **iv. The purpose for the loan**

To increase resilience of food systems and the recipient's preparedness for food insecurity in project areas, and, in case of an eligible crisis or emergency, to respond promptly and effectively to it.

### **5. Food Systems Resilience Program for Eastern and Southern Africa Phase 3 under the Multiphase Programmatic Approach**

#### **i. The parties to the loan**

The loan was signed on 3<sup>rd</sup> July 2023 between the International Development Association (IDA) as the lender and Government of Kenya as the borrower.

#### **ii. The amount of the loan and the currency**

The amount of the loan is EUR 92,100,000 approximately equivalent to Kshs. 14,442,633,870 and will be repaid in Euro.

#### **iii. The terms and conditions of the loan**

The loan will be repaid in 40 equal semi-annual repayments of EUR 1,519,650 from 15<sup>th</sup> October 2028 through to 15<sup>th</sup> April 2048 and 10 equal semi-annual instalments of EUR 3,131,400 from 15<sup>th</sup> October 2048 through to 15<sup>th</sup> April 2053. The interest rate of the loan is 1.25 percent per annum plus the basis adjustment and the service charge is 0.75 percent per annum plus the basis adjustment on the withdrawn credit balance. The commitment charge rate is 0.5 per cent per annum on the unwithdrawn financing balance.

#### **iv. The purpose for the loan**

To increase resilience of food systems and the recipient's preparedness for food insecurity in project areas, and, in case of an eligible crisis or emergency, to respond promptly and effectively to it.

### **6. Kenya Digital Economy Acceleration Project**

#### **i. The parties to the loan**

The loan was signed on 11<sup>th</sup> July 2023 between the International Development Association (IDA) as the lender and Government of Kenya as the borrower.

**ii. The amount of the loan and the currency**

The amount of the loan is EUR 311,100,000 approximately equivalent to Kshs. 48,785,053,170 and will be repaid in Euro.

**iii. The terms and conditions of the loan**

The loan will be repaid in 11 equal semi-annual repayments of EUR 25,925,021 from 15<sup>th</sup> August 2029 through to 15<sup>th</sup> August 2034 and 1 instalment of EUR 25,924,772 on 15<sup>th</sup> February 2035. The commitment charge rate is 0.5 per cent per annum on the unwithdrawn financing balance.

**iv. The purpose for the loan**

To expand access to high-speed internet, improve the quality and delivery of education and selected government services, and build skills for the regional digital economy.

**7. Kenya Digital Economy Acceleration Project**

**i. The parties to the loan**

The loan was signed on 11<sup>th</sup> July 2023 between the International Development Association (IDA) as the lender and Government of Kenya as the borrower.

**ii. The amount of the loan and the currency**

The amount of the loan is EUR 56,600,000 approximately equivalent to Kshs. 8,875,712,020 and will be repaid in Euro.

**iii. The terms and conditions of the loan**

The loan will be repaid in 40 equal semi-annual repayments of EUR 933,900 from 15<sup>th</sup> August 2028 through to 15<sup>th</sup> February 2048 and 10 equal semi-annual instalments of EUR 1,924,400 from 15<sup>th</sup> August 2048 through to 15<sup>th</sup> February 2053. The interest rate of the loan is 1.25 percent per annum plus the basis adjustment and the service charge is 0.75 percent per annum plus the basis adjustment on the withdrawn credit balance. The commitment charge rate is 0.5 per cent per annum on the unwithdrawn financing balance.

**iv. The purpose for the loan**

To expand access to high-speed internet, improve the quality and delivery of education and selected government services, and build skills for the regional digital economy.

## **8. Integrated Mechanisms for Poverty Reduction and Sustainable Education (Impresed) Project**

### **i. The parties to the loan**

The loan was signed on 5<sup>th</sup> July 2023 between the African Development Fund (ADF) as the lender and Government of Kenya as the borrower.

### **ii. The amount of the loan and the currency**

The amount of the loan is UA 12,789,000 approximately equivalent to Kshs. 2,473,149,609 and will be repaid in Euro.

### **iii. The terms and conditions of the loan**

The loan will be repaid in 50 equal and consecutive semi-annual instalments of EUR 255,780 from 15<sup>th</sup> October 2028 through to 15<sup>th</sup> April 2053. The interest rate of the loan is 1 percent per annum and the service charge is 0.75 percent per annum on disbursed loan balance. The commitment charge rate is 0.5 per cent per annum on the undisbursed loan balance.

### **iv. The purpose for the loan**

To increase access to quality education, skills development, and employability for out of school children (OOSC) (6-17 years old) and youth (18-35 years old) in Arid and Semi-Arid Land (ASAL) areas in Kenya. The specific objectives are to:

- a) increase access, quality and retention of 30,200 OOSC in basic education;
- b) increase access to skills development and employability for 3000 unemployed youth;
- c) promote sustainable and resilient livelihoods.

## **9. Syndicated Term Loan Facility**

### **i. The parties to the loan**

The loan was signed on 12<sup>th</sup> May 2023 between African Export-Import Bank as the lender and Government of Kenya as the borrower.

### **ii. The amount of the loan and the currency**

The amount of the loan is EUR 273,323,615.16 approximately equivalent to Kshs. 42,861,160,714 and will be repaid in Euro.

**iii. The terms and conditions of the loan**

The loan will be repaid in 6 equal six-monthly instalments of EUR 45,553,935.86 from 5<sup>th</sup> October 2025 through to 5<sup>th</sup> April 2028. The interest rate is a margin of 5.4 percent per annum plus a term reference rate on the disbursed loan balance. The borrower shall pay an up-front fee and an agency fee in the amount and the times agreed in a fee letter.

**iv. The purpose for the loan**

To fund the development projects and any fees, costs and expenses incurred in connection with the finance documents.



REPORT ON NEW LOANS CONTRACTED BY THE NATIONAL GOVERNMENT FROM 1st MAY 2012 TO 31st AUGUST 2023

No	Purpose of the loan	Perceived benefits	Creditor	Borrower	Original loan amount	Ksh Equivalent	Exchange rate	Loan term (years)	Currency of loan	Agreement Date	Start Date	Maturity Date	Disbursement during period (Ksh)	Disbursement during the period (USD)	Outstanding amount as at August, 2023	Grace period	Interest rate	Terms of repayment	
<b>A. EDUCATION</b>																			
1	Integrated Mchambani for Sustainable Education (Impress) Project	To increase access to quality education, skills and employability for school children (0-20), (6-17 year old) and youth (18-35 year old) in Arid and Semi-Arid Land (ASAL) areas in Kenya.	Arden Development Fund	CO/KE	12,790,000.00	2,471,149,609.00	193.38	10	USD	30th July 2023	15th April 2023	15th April 2023	Not Disbursed	Not Disbursed	Nil	5 years	The interest rate of the loan is 1.25 percent per annum plus the reference rate plus the variable spread	The loan will be repaid in 40 equal semi-annual instalments of Ksh 3,197,500.00 from 15 <sup>th</sup> September 2023 through to 15 <sup>th</sup> April 2033.	
<b>B. ECONOMY</b>																			
2	The Rural Sustainability and Inclusive Green Growth Development Policy Operation	To create fiscal space in a sustainable and equitable manner, to improve competitiveness to boost agricultural export, and to improve governance and financial inclusion for private sector driven development.	International Development Association	CO/KE	185,000,000.00	27,221,122,000.00	147.14	10	USD	29th May 2023	15th March 2023	15th March 2023	185,000,000.00	27,221,122,000.00	27,221,122,000.00	5 years	The interest rate of the loan is 1.25 percent per annum plus the reference rate plus the variable spread	The loan will be repaid in 36 equal semi-annual instalments of Ksh 5,138,888.89 from 15 <sup>th</sup> September 2023 through to 15 <sup>th</sup> March 2033.	
3	The Rural Sustainability and Inclusive Green Growth Development Policy Operation	To create fiscal space in a sustainable and equitable manner, to improve competitiveness to boost agricultural export, and to improve governance and financial inclusion for private sector driven development.	International Bank for Reconstruction and Development	CO/KE	500,000,000.00	73,576,600,000.00	147.14	10	USD	29th May 2023	15th March 2023	15th March 2023	500,000,000.00	73,576,600,000.00	73,576,600,000.00	5 years	The interest rate of the loan is 1.25 percent per annum plus the reference rate plus the variable spread	The loan will be repaid in 36 equal semi-annual instalments of Ksh 13,888,888.89 from 15 <sup>th</sup> September 2023 through to 15 <sup>th</sup> March 2033.	
4	The Rural Sustainability and Inclusive Green Growth Development Policy Operation	To create fiscal space in a sustainable and equitable manner, to improve competitiveness to boost agricultural export, and to improve governance and financial inclusion for private sector driven development.	International Development Association	CO/KE	315,000,000.00	46,349,478,000.00	147.14	10	USD	29th May 2023	15th March 2023	15th March 2023	315,000,000.00	46,349,478,000.00	46,349,478,000.00	6 years	The commitment charge rate is 0.5 per cent per annum on the undrawn financing balance	The loan will be repaid in 11 equal semi-annual instalments of Ksh 28,220,000.00 from 15 <sup>th</sup> September 2023 through to 15 <sup>th</sup> March 2034.	
5	Kenya Digital Economy Acceleration Project	To expand access to high-speed internet, improve the quality and delivery of education services, and build digital skills for the regional digital economy.	International Development Association	CO/KE	311,100,000.00	46,376,653,170.00	156.81	10	EUR	17th July 2023	15th February 2023	15th February 2023	Not Disbursed	Not Disbursed	Nil	4.5 years	The commitment charge rate is 1.25 percent per annum plus the reference rate plus the variable spread	The loan will be repaid in 40 equal semi-annual instalments of Ksh 7,777,500.00 from 15 <sup>th</sup> August 2028 through to 15 <sup>th</sup> February 2033.	
6	Kenya Digital Economy Acceleration Project	To expand access to high-speed internet, improve the quality and delivery of education services, and build digital skills for the regional digital economy.	International Development Association	CO/KE	56,000,000.00	8,873,712,020.00	156.81	10	EUR	17th July 2023	15th February 2023	15th February 2023	Not Disbursed	Not Disbursed	Nil	4.5 years	The interest rate of the loan is 1.25 percent per annum plus the reference rate plus the variable spread	The loan will be repaid in 40 equal semi-annual instalments of Ksh 2,200,000.00 from 15 <sup>th</sup> August 2028 through to 15 <sup>th</sup> February 2033.	
<b>C. AGRICULTURE</b>																			
7	Food System Resilience Project for Eastern and Southern Africa Phase 3 under the Multiphase Programme: Approach	To increase resilience of food systems and the capacity of smallholder farmers in project areas, and in case of an eligible crisis emergency, to respond promptly and effectively to it.	International Development Association	CO/KE	46,100,000.00	7,229,157,670.00	156.81	10	EUR	30th July 2023	15th April 2023	15th April 2023	Not Disbursed	Not Disbursed	Nil	6 years	The commitment charge rate is 1.25 percent per annum plus the reference rate plus the variable spread	The loan will be repaid in 11 equal semi-annual instalments of Ksh 4,190,909.09 from 15 <sup>th</sup> September 2029 through to 15 <sup>th</sup> April 2035.	
8	Food System Resilience Project for Eastern and Southern Africa Phase 3 under the Multiphase Programme: Approach	To increase resilience of food systems and the capacity of smallholder farmers in project areas, and in case of an eligible crisis emergency, to respond promptly and effectively to it.	International Development Association	CO/KE	92,100,000.00	14,442,633,870.00	156.81	10	EUR	30th July 2023	15th April 2023	15th April 2023	Not Disbursed	Not Disbursed	Nil	5 years	The interest rate of the loan is 1.25 percent per annum plus the reference rate plus the variable spread	The loan will be repaid in 40 equal semi-annual instalments of Ksh 2,275,000.00 from 15 <sup>th</sup> September 2028 through to 15 <sup>th</sup> April 2033.	
<b>D. COMMERCIAL BORROWING</b>																			
9	Standardized Term Loan Facility	To fund development projects and any fees, costs and expenses incurred in connection with the finance documents.	Arden Export-Import Bank	CO/KE	271,323,615.16	42,861,160,714.23	156.81	10	EUR	29th May 2023	15th April 2023	15th April 2023	271,323,615.16	42,861,160,714.23	42,861,160,714.23	2 years	The interest rate is a margin of 5.4 percent per annum plus a reference rate on the disbursed loan balance.	The loan will be repaid in 6 equal semi-annual instalments of EUR 45,551,935.86 from 15th October 2025 through to 15th April 2028.	
Total																			
					271,323,615.16	42,861,160,714.23	156.81	10	EUR	29th May 2023	15th April 2023	15th April 2023	271,323,615.16	42,861,160,714.23	42,861,160,714.23	2 years			
Exchange rate as at 20th September, 2023																			