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REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY  
GOVERNMENT OF KENYA  
FROM  
1<sup>ST</sup> JULY 2018 TO 31<sup>ST</sup> DECEMBER 2018

 THE NATIONAL ASSEMBLY PAPERS LAID	
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# REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY GOVERNMENT FROM 1<sup>ST</sup> JULY 2018 TO 31<sup>ST</sup> DECEMBER 2018

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## Section 1- Introduction

1. 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> July 2018 to 31<sup>st</sup> December 2018. 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 loan.

2. This section of the report contains four (4) new loans contracted between Government of Kenya and bilateral and multilateral creditors. One of the loans is from a multilateral lender and the other three are from bilateral lenders. The total value of the 4 new loans signed is the equivalent of Ksh 53,757,981,404.33 and none of the loans have been disbursed by the time of submitting this report. The proceeds of the loans will finance infrastructure projects in the water, transport and agriculture sectors.

### **A. Aquaculture Business Development Programme**

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

The loan was signed on 22<sup>nd</sup> June 2018 between International Fund for Agricultural Development 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 40,000,000.00 approximately equivalent to Ksh 4,060,000,000.00 and will be repaid in USD.

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

The loan will be repaid in 60 equal semi-annual repayments each of USD 666,666.67 starting 22<sup>nd</sup> June 2028 through to 22<sup>nd</sup> December 2057. The interest rate of the loan is 0.75 percent per annum on disbursed loan amount.

**iv. The purpose for the loan**

The overall goal of the programme is to reduce poverty and increase food security and nutrition in rural communities and the programme objective is to increase incomes, food security and nutritional status of the wider community of poor rural households involved in aquaculture in Migori, Kakamega, Homabay, Nyeri, Meru, Kirinyaga, Tharaka-Nithi, Kisii, Kisumu, Siaya, Busia, Embu, Kiambu, Machakos and Kajiado.

**B. Mwache Dam Project**

**i. The parties to the loan**

The loan was signed on 21<sup>st</sup> June 2018 between Agence Francaise De Development 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 120,000,000.00 approximately equivalent to Ksh 14,085,311,192.48 and will be repaid in Eur.

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

The loan will be repaid in 24 equal semi-annual repayments each of USD 5,000,000.00 starting 1<sup>st</sup> September 2026 through to 1<sup>st</sup> March 2038. The interest rate of the loan is 2.5% per annum on disbursed loan amount.

**iv. The purpose for the loan**

The project aims to improve living standards for the population of Mombasa region by developing access to drinking water and sanitation. Increase the volumes of drinking water produced in order to eliminate the water shortage in the city of Mombasa.

**C. Kenya Nairobi Western Bypass Project**

**i. The parties to the loan**

The loan was signed on 21<sup>st</sup> June 2018 between Export Import Bank of China 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 CNY 1,190,253,600.00 approximately equivalent to Ksh 18,253,958,897.33 and will be repaid in CNY.

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

The loan will be repaid in 26 equal semi-annual repayments each of CNY 18,253,958,897.33 starting 21<sup>st</sup> September 2025 through to 21<sup>st</sup> March 2038. The interest rate of the loan is 2.0% per annum on disbursed loan amount plus a management fee of USD 2,975,634.00. A commitment fee of 0.25 per cent is payable on undisbursed balance.

**iv. The purpose for the loan**

The project is expected to improve the needs of the Nairobi City Bypasses for the convenient transportation owing to the high population growth along the project route. Effectively ease the traffic pressure in the city centre of Nairobi, and improve transport system: Reduce the cost of transport and reduce the traffic accidents: Promote social and economic development of the region and improve the living standard of residents along the project

**D. Kenya Airways (KQ) refinancing**

**i. The parties to the loan**

The loan was signed on 21<sup>st</sup> June 2018 between Eastern and Sothern African Trade and Development Bank (TDB) 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 200,000,000 approximately equivalent to Ksh 20,300,000,000 and will be repaid in USD.

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

The loan will be repaid in 10 equal semi-annual repayments each of USD200,000 outstanding from 21<sup>st</sup> June 2019 through to 21<sup>st</sup> June 2029. The interest rate of the loan is USD 6 month LIBOR plus a margin of 6.45% per annum on disbursed loan amount plus a one off Upfront fee of 2.6 percent of the facility amount and an annual Agency fee of USD 10,000.

**iv. The purpose for the loan**

The loan was borrowed to refinance and cancel the 2016 syndicated loan facility borrowed to support the turnaround process of the Kenya Airways through the restructuring of its balance sheet.

#### **E. Bosto Dam Water Supply Project**

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

The loan was signed on 4<sup>th</sup> September 2018 between Export Import Bank of China 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 171,021,786.35 approximately equivalent to Ksh 17,358,711,314.53 and will be repaid in USD.

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

The loan will be repaid in 22 equal semi-annual repayments each of USD7,773,717.5614 starting 1<sup>st</sup> December 2022 through to 1<sup>st</sup> June 2033. The interest rate of the loan is USD 6 month LIBOR plus a margin of 3.0% per annum on disbursed loan amount plus a management fee of USD 855,108.93 and an insurance fee of USD 13,808,953.32. A commitment fee of 0.5 per cent is payable on undisbursed balance.

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

The project objectives for the project are: to increase potable water coverage in Bomet County and Kapkatet area in Kericho County through development of a sustainable integrated water project. The project seeks to improve water service rationing in rural areas to more than 60% in Bomet County in line with the sector's Kenya National Development Policy. Provide potable and affordable water to Bomet County and neighboring areas through replacement of unsustainable existing pumping water schemes in the area. The project plans to supply water by gravity without pumping as far as possible with the key objective of domestic and livestock water supply. A mini -hydropower station will be incorporated at a later stage to provide electricity for use within the dam site and at the Water Treatment Plant in Bosto Hill as a long-term operational cost cutting strategy.

#### **F. Drought Resilience in Northern Kenya**

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

The loan was signed on 24<sup>th</sup> December 2018 between KfW, Frankfurt am Main 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 EURO 8,000,000 approximately equivalent to Ksh 906,666,400.00 and will be repaid in EURO.

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

The loan will be repaid in 60 equal semi-annual repayments of EUR 133,000 starting 15/08/2028 to 15/02/2048 and then EUR 134,000 Starting 15/08/2048 to 15/08/2058. The interest rate of the loan is 0.75 per annum on disbursed loan amount. A commitment fee of 0.25 per cent is payable on undisbursed balance.

**iv. The purpose for the loan**

The project finance infrastructure suitable to strengthen drought resilience and climate change adaptive capacities of the pastoral and agro-pastoral production systems and livelihoods on a sustainable basis in order to increase food security of the target population in selected clusters in the county of Marsabit.