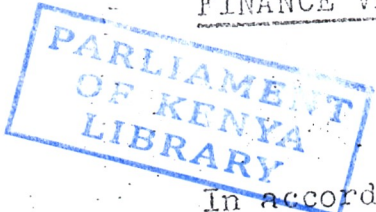


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GOVERNMENT GUARANTEE OF MONEYS LENT TO THE DEVELOPMENT FINANCE COMPANY OF KENYA LIMITED BY THE EUROPEAN INVESTMENT BANK, LUXEMBOURG OF THE EUROPEAN ECONOMIC COMMUNITY TO FINANCE VARIOUS DEVELOPMENT PROJECTS IN KENYA



THE GUARANTEE (LOANS) ACT, CAP 461

In accordance with provisions of the Guarantee (Loans) Act cap. 461, Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.

1. The Government proposes to guarantee a loan of 8,000,000 European Currency Units (equivalent to approximately 4,000,000 Kenya pounds) to be made to the Development Finance Company of Kenya Limited by the European Investment Bank, Luxembourg, of the European Community, Under the ACP/EEC, Lome II Convention.
2. The loan is to be used for financing of the Industrial projects undertaken by the Development Finance Company of Kenya Limited to supplement the Government's effort in economic development.
3. The Development Company of Kenya Limited (DFCK) was incorporated on 13th September 1963. The authorized share capital is Ksh. 120 million, of which, Sh. 90 million has been subscribed and paid up by the Industrial and Commercial Development Corporation (ICDC), a statutory body controlled by the Kenya Government 33.33%, the Commonwealth Development Corporation (a British statutory body), 11.11% The Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH (German Development Company Ltd) (22.22%), the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V. (Netherlands Finance Company for Developing Countries Ltd) 22.22% and International Finance Corporation (IFC) (11.11%) In addition these shareholders have provided Sh. 80 million by way of income notes contributions and are subscribing approximately Shs. 82 million under separate loan agreements.

In addition the Deutsche Gesellschaft für Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH (German Development Company Ltd) is about to increase its shareholding by the Kenya equivalent of DM 2 million. To this and arrangements are under way for the Governments of Kenya and the Federal Republic of Germany to enter into bilateral agreement, as a prequisite to the said investment in DFCK.

4. The loan will bear interest at the rate of about 8 percent per annum calculated on the amount of the loan drawn and outstanding from time to time. Interest on the loan principal will be paid half-yearly in arrears.

5. The loan principal will be repaid to the lender over 8 years by equal half-yearly instalments starting from a date four-and-half years from the date of the Finance Agreement between EIB and DFCK.

6. The loan is conditional upon guarantee being provided by the Government of Kenya for which Parliament's approval is sought.

7. All payments under the loan agreement are to be made by the borrower to European Investment Bank in the currency in which the loan has been disbursed.

8. The current total contingent liability of the Government of Kenya in respect of all guarantees provided to date under Section 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts to K£ 348,574,780 with the guarantee of 8,000,000 European Currency Units (equivalent to K£ 4 million) proposed in this Sessional Paper, the aggregate will be increased to K£ 353,574,780 of which K£ 20,585,582 falls within paragraph (a) and K£ 334,009,198 within paragraph (b) of Section 3 (3) of the Act.

  
A. K. MAGUGU

MINISTER FOR FINANCE