SESSIONAL PAPER NO. 12 OF 1975

GOVERNMEN T GUARANTEE FOR A LOAN BY THE HABIB BANK AG OF SWITZERLAND TO THE EAST AFRICAN DEVELOPMENT BANK:

THE GUARANTEE (LOANS) ACT CAP.461

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 Kenya Government proposes to give jointly and severally with the Governments of the United Republic of Tanzania and the Republic of Uganda, in respect of a loan amounting to twenty million United States dollars (US $20,000,000) equivalent to approximately K£7,142,860 at the present rate of exchange of 9.25% per annum, simple and fixed, and a commission of 4% at the time the drawing of the line of credit is effected. The loan is repayable at the end of 10 years period in a single sum and the interest will be payable annually during the currency of credit.

The East African Development Bank is established under the Treaty for East African Co-operation, its charter being set out in Annex IV of the Treaty. The Bank's major objective is to promote industrial development in the East African Partner States. So far, it has approved 18 projects in Kenya for loans amounting to an impressive figure of £5 million. This compares favourably with the loans advanced to each of the other Partner States.

The East African Development Bank asked the Habib Bank AG to make the aforementioned loan to assist it in financing development through sub-loans and investments in productive industrial enterprises in the three Partner States. Parliament is now requested to agree that the Kenya Government extend to the Habib Bank AG a joint and several guarantee in the sum of US $20 million.

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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) amount to K£178,822,634.

With the guarantee of K£7,142,860 now proposed in this Sessional Paper the aggregate will be increased to K£185,965,494, of which K£105,362,662 will fall within paragraph (a) and K£80,602,832 within paragraph (b) of Section 3 of the Act.

Hon. Mwai Kibaki

MINISTER FOR FINANCE

25th June, 1975