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REPUBLIC OF KENYA



MINISTRY OF FINANCE

SESSIONAL PAPER NO 5 OF 1988

GOVERNMENT GUARANTEE OF LOAN TO NATIONAL HOUSING CORPORATION BY .J.P. MORGAN SECURITIES INC; THROUGH THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

THE GUARANTEE (LOANS) ACT (CAP.461)

1. In accordance with the provisions of the guarantee (loans) Act (Cap 461) the following information is laid before the National Assembly for consideration and approval.
2. The National Housing Corporation is a body corporate existing under Housing Act Cap 117 of the laws of Kenya.
3. In line with the policy objective of the Government, the National Housing Corporation has embarked on a private sector housing programme aimed at enhancing the private sectors capability to plan, design and implement low cost housing thereby supporting the Government's effort of arresting the growth of unplanned slums and illegal settlements in the urban areas.
4. The implementation Agreement setting up the programme was signed by the Kenya Government and US Government in September 1984 to be financed through a loan of US\$30 million which the National Housing Corporation will borrow from the United States Capital Market. The funds will be borrowed in 3 tranches with each tranche being guaranteed by the Kenya Government. The corporation will on-lend the loan proceeds to eligible building societies and Housing Finance Institutions.
5. The Private Sector housing programme will involve the construction of approximately 4000 low income housing

units whose designs, development and marketing will be undertaken by private developer and mortgage finance will be provided by housing finance institutions from the loans to be obtained from the National Housing Corporation.

6. The private sector housing programme will provide home ownerships for families earning below the medium income of Ksh.3,000/- per month. The houses to be constructed are anticipated to range from service plots to 2 and 3 room starter units with both sanitary and cooking facilities at a price not exceeding Ksh.120,000/= for the two roomed unit and Ksh.145,000/= for the three roomed unit. The major participant in this programme are the Ministry of Lands and Housing, National Housing Corporation, National Co-operative Housing Union, Private Developer and Housing Finance Institutions.
7. Messers J.P Morgan Securities Inc, of the United States of America has agreed to lend National Housing Corporation part of the required funds in the sum of a loan of US\$10 million to be used in Private Sector Housing. The local currency equivalent of the loan is Ksh.183 million which will be repaid by the National Housing Corporation over a period of 20 years with a grace period of 10 years at an interest rate of 10%.....
8. An amount of Ksh.32 million has been lent by the Government to the National Housing Corporation to establish a Foreign Exchange Risk Fund to meet fluctuations in foreign exchange rates which may occur during the servicing of the programme loans.

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9. The total external loan liability of National Housing Corporation guaranteed by the Kenya Government is Ksh.70,895,768 as at 30th June,1988. The proposed additional loan of Ksh.183 million will raise the external liability of National Housing Corporation guaranteed by the Kenya Government to Ksh.253,895,768.
10. The National Assembly is requested to approve that the Government may guarantee a loan of US\$10 million equivalent to Ksh.183 million from messers J.P. Morgan Securities Inc. to the National Housing Corporation.
11. The current contingent liability of the Government in respect of Guarantee (Loans) Act (Other than those specified in the schedule to the Act) amounts to K£670,630,616 with the guarant of K£9,150,000 (equivalent to US\$10 million proposed in this sessional paper, the aggregate will be increased to K£679,780. of which K£83,489,497 falls within paragraph (a) and K£596,291,119 within paragraph (b) of section 3(3) of the Act.



Hon. George Saitoti  
MINISTER FOR FINANCE