

**THE NATIONAL TREASURY AND PLANNING**



**REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY  
GOVERNMENT OF KENYA**

**FROM**

**1<sup>ST</sup> SEPTEMBER 2019 TO 30<sup>TH</sup> APRIL, 2020**

PARLIAMENT  
OF KENYA  
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# REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY GOVERNMENT FROM 1<sup>ST</sup> SEPTEMBER 2019 TO 30<sup>TH</sup> APRIL, 2020

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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 1st September 2019 to 31st December 2019. 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.

This section of the report contains thirteen (13) new loans contracted between Government of Kenya and, commercial and multilateral creditors. Five of the loans are from a multilateral lender and eight are from bilateral lenders. The total value of the 12 new loans signed is the equivalent of Ksh 132,314,210,604 and none of the loans has disbursed by the time of submitting this report.

### 1. Lake Nakuru Biodiversity Conservation Project

#### i. The parties to the loan

The loan was signed on 30<sup>th</sup> December 2019 between the Government of Fed. Republic of Germany 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 29,000,000.00 approximately equivalent to Ksh 3,353,313,500.00 and will be repaid in EURO.

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

The loan will be repaid in 64 semi-annual repayments in 56 instalments of EURO 453,000 from 15<sup>th</sup> May 2026 through to 15<sup>th</sup> November 2053 and 8 instalments of EURO 454,000 from 15<sup>th</sup> May 2054 through to 15<sup>th</sup> November 2057. The interest rate of the loan is 0.75% percent per annum on disbursed loan amount. Commitment fee is 0.25% p.a. on undisbursed loan amounts.

**iv. The purpose for the loan**

The overall goal of the project is financing goods and services improving waste water and water management in the town of Nakuru.

**2. T-Mall Flyover project for the Design of a Steel Flyover for Vehicles in Nairobi**

**i. The parties to the loan**

The loan was signed on 12<sup>th</sup> November 2019 between the Instituto De Credito, Spain 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 23,250,000 approximately equivalent to Ksh 2,688,432,375 and will be repaid in EURO.

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

48 Principal Repayments of 484,375.00 EUR, to be paid semi-annually on 12<sup>th</sup> November and 12<sup>th</sup> May, beginning in November 2030. The interest rate of the loan is 0.20% percent per annum on disbursed loan amount. Availability commission 0.1% p.a. on undisbursed loan amounts. Management commission 0.1% on the total amount of the Credit

**iv. The purpose for the loan**

The overall goal of the project is financing goods and services for construction of T-Mall flyover.

**3. Thwake Multipurpose Water Project Programme-Additional Financing**

**i. The parties to the loan**

The loan was signed on 19<sup>th</sup> June 2019 between the African Development 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 EURO 192,569,766.00 approximately equivalent to Ksh 22,267,130,897.229 and will be repaid in EURO.

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

34 Principal Repayments of 5,663,816.647 EUR, to be paid semi-annually on August 15 and February 15, beginning in August 2027. Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually. Commitment

fees to be charged at 0.250% p.a. on disbursed loan amount. Front end fee is 0.25% on the loan amount.

**iv. The purpose for the loan**

To enhance water security by impounding water on a large scale for multipurpose use. The programme will increase water storage for rural and urban consumption for irrigation and livestock and for hydropower production with a principal focus on the semi-arid counties of Kitui and Makueni and downstream.

**4. Nairobi Water and Sanitation Project**

**i. The parties to the loan**

The loan was signed on 2<sup>nd</sup> March, 2020 between the Agence Francaise De Developpement 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 100,000,000 approximately equivalent to Ksh 11,563,150,000 and will be repaid in EURO.

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

28 Principal Repayments of 3,571,428.571 EUR, to be paid semi-annually on March 31 and September 30, beginning in March 2026. Interest rate applicable to each drawdown shall be the fixed reference rate increased or decreased by any fluctuation of the index rate (means the TEC 10 daily index) from the signing date until the relevant rate setting date. Commitment fees to be charged at 0.50% p.a. on disbursed loan amount.

**iv. The purpose for the loan**

To finance eligible expenses related to Nairobi Water and Sanitation Project. It also aims at improving living conditions for the inhabitants of Nairobi by expanding access to drinking water and sanitation; improving access to the sanitation network and building the capacity of the Nairobi City Water and Sewerage Company.

**5. Promotion of Youth Employment and Vocational Training in Kenya, Phase II**

**i. The parties to the loan**

The loan was signed on 30<sup>th</sup> December 2019 between Government Federal Republic of Germany 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 12,000,000 approximately equivalent to Kshs. 1,387,578,000 and will be repaid in Euros.

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

The loan will be repaid in 64 unequal semi-annual repayments each of Eur 187,000 starting 28<sup>th</sup> February 2026 through to 30<sup>th</sup> August 2041 and Eur 188,000 starting from 28<sup>th</sup> February 2042 ending 30<sup>th</sup> August 2057. The interest rate of the loan is 0.75 percent on disbursed loan amount. Commitment fee 0.25% on undisbursed balance.

**iv. The purpose for the loan**

The key purpose of the loan will be to finance the establishment of centers of excellence for cooperative vocational and technical training and primarily pay the foreign exchange costs.

**6. Mombasa Gate Bridge Construction Project (I)**

**i. The parties to the loan**

The loan was signed on 5<sup>th</sup> December 2019 between Japan International Cooperation Agency as lender and Government of Kenya as the borrower.

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

The amount of the loan is Japanese Yen 47,800,000,000 (in two tranches of Tranche 1 of Yen 45,083,000,000.00 and Tranche 2 of Yen 2,717,000,000.00) approximately equivalent to Ksh 47,715,202,800 and will be repaid in Japanese Yen.

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

The first instalment of Yen 790,976,000 (Tranche 1) and Yen 47,704,000 (Tranche 2) will be repaid on 20<sup>th</sup> December, 2031 followed by 56 equal semi-annual repayments of Yen 790,929,000 (Tranche 1) and Yen 47,666,000 (Tranche 2) starting from 20<sup>th</sup> June 2032. The interest rate for Tranche 1 of the loan is 0.1% p.a. and Tranche 2 is 0.01% p.a. Front end fee of 0.2% of the total loan.

**iv. The purpose for the loan**

To develop the Mombasa Gate Bridge (MGB) Construction Project with the aim of providing a functional road connection between Mombasa Island and Mombasa Mainland South both separated by the Likoni Channel which is currently crossed through ferries operated by the Kenya Ferry Service (KFS)

**7. Development of the Water and Sanitation Sector**

**i. The parties to the loan**

The loan was signed on 2<sup>nd</sup> January, 2020 between Government Federal Republic of Germany 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 11,000,000 approximately equivalent to Kshs. 1,271,946,500 and will be repaid in Euros.

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

The loan will be repaid in 64 unequal semi-annual repayments each of Eur 171,000 starting 15 May 2026 through to 15 November 2029 and Eur 172,000 starting from 15<sup>th</sup> May 2030 ending 15<sup>th</sup> November 2057. The interest rate of the loan is 0.75% on disbursed loan amount. Commitment fee 0.25% on undisbursed balance.

**iv. The purpose for the loan**

The purpose of the loan/project is to finance measures in the framework of the "Project Water Sector Trust Funds, Phase IV" targeting at the provision of affordable economically viable and sustainable access to save water supply and basic sanitation services for the urban poor in Kenya.

**8. Affordable Housing Finance Project**

**i. The parties to the loan**

The loan was signed on 5<sup>th</sup> December 2019 between International Bank for Reconstruction & 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 Euro 219,000,000 approximately equivalent to Kshs. 25,323,298,500 and will be repaid in Euro.

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

The loan will be repaid in 40 equal annual repayments each of Euro 5,475,000.00 starting 15<sup>th</sup> July 2024 through to 15<sup>th</sup> July 2044. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions. Commitment fees to be charged at 0.250% on Committed Undisbursed Balance. Front end fee of 0.25% of the loan amount.

**iv. The purpose for the loan**

The overall purpose of the loan/project is to expand access to affordable housing finance to targeted beneficiaries. The project consists of two parts namely; (a) supporting the Kenya Mortgage Refinance Company. (b) Offering technical assistance to Kenya Mortgage Refinance Company, the Ministry of land and physical Planning and affiliated Institutions.

## **9. Construction of Five Foot Bridges in Mombasa and Langata Roads**

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

The loan was signed on 17<sup>th</sup> January, 2020 between Banco Bilbao Vizcaya Argentaria S.A, Spain 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 11,805,819.38 approximately equivalent to Kshs. 1,365,124,603.63 and will be repaid in Euros.

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

20 Principal Repayments of 590,290.969 EUR, to be paid semi-annually on April 17 and October 17, beginning in April 2023. Interest to be charged on a daily basis at commercial interest reference (CIRR) rate subject to a minimum rate of 0.000% and no maximum rate, plus a fixed margin of 1.100% p.a. to be paid semi-annually. Management fee of 1.4% calculated on commitment amount. Commitment fees to be charged at 0.900% p.a. on committed undisbursed balance.

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

The purpose of the loan/project is to finance the obligations of the Buyer in relation to the contract and payment of eligible goods and services.

## **10. Construction of Five Foot Bridges in Mombasa and Langata Roads**

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

The loan was signed on 17<sup>th</sup> January, 2020 between Banco Bilbao Vizcaya Argentaria S.A, Spain 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 2,083,379.90 approximately equivalent to Kshs. 240,904,342.91 and will be repaid in Euros.

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

10 Principal Repayments of 208,337.990 EUR, to be paid semi-annually on August 17 and February 17, beginning in August 2020. Interest to be charged at 6 Months Euribor plus a fixed margin of 2.25% p.a. to be paid semi-annually. Management fee of 1.4% calculated on commitment amount and risk mitigation fee of Eur 99,898.07. Commitment fees to be charged at 0.50% p.a. on committed undisbursed balance.

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

The purpose of the loan/project is to finance the obligations of the Buyer in relation to the contract and payment of eligible goods and services.

#### **11. Nairobi River Basin Rehabilitation & Restoration Program (Sewerage Improvement Project Phase II)**

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

The loan was signed on 19<sup>th</sup> June 2019 between the African Development 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 EURO 59,407,000.00 approximately equivalent to Ksh 6,869,320,520.50 and will be repaid in EURO.

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

34 Principal Repayments of 1,747,264.706 EUR, to be paid semi-annually on August 15 and February 15, beginning in August 2023. Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually and the African Development Bank shall notify the Borrower the applicable interest rate for each interest period. Commitment fees to be charged at 0.25% p.a. on disbursed loan amount. Front end fee is 0.25% on the total loan amount.

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

To improve the access, quality, availability and sustainability of waste water services in Nairobi City with a view to contribute to restoration of Nairobi Rivers Basin.

#### **12. Supplementary Financing for Ethiopia-Kenya Electricity Highway Project**

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

The loan was signed on 19<sup>th</sup> June 2019 between the African Development 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 EURO 26,510,000.00 approximately equivalent to Ksh 3,065,391,065 and will be repaid in EURO.

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

34 Principal Repayments of 779,705.882 EUR, to be paid semi-annually on August 15 and February 15, beginning in August 2024. Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin,



funding cost margin and the maturity premium to be paid semi-annually and the African Development Bank shall notify the Borrower the applicable interest rate for each interest period. Commitment fees to be charged at 0.25% p.a. on disbursed loan amount. Front end fee is 0.25% on the total loan amount.

**iv. The purpose for the loan**

To support the integration of the power systems of Eastern Africa Power Pool (EAPP) member countries to promote power trade and regional integration and further create a backbone power transmission network that interconnect the EAPP and Southern African Power Pool.

**13. COVID-19 Emergency Response Project**

**v. The parties to the loan**

The loan was signed on 3<sup>rd</sup> April, 2020 between the International Development Association as the lender and Government of Kenya as the borrower.

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

The amount of the loan is EURO 45,500,000.00 approximately equivalent to Ksh 5,261,233,250 and will be repaid in EURO.

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

40 Principal Repayments of EUR 750,750.00 to be paid semi-annually on May 15 and November 15, beginning in May 2025 through to November, 2044. 10 Principal Repayments of EUR 1,547,000 to be paid semi-annually on May 15 and November 15, beginning in May 2045 through to November, 2049. Service charge payable by the Borrower for each interest period shall be (a) the sum of 0.75% p.a. plus the basis adjustments to the service charge; and (b) 0.75% p.a.; on the withdrawn credit balance and interest charge is the greater of (a) the sum of 1.25% p.a. plus the basis adjustments to the interest charge; and (b) 0% p.a.; on the withdrawn credit balance. Commitment fees to be charged at 0.5% p.a. on disbursed loan amount. Front end fee is 0.25% on the total loan amount.

**viii. The purpose for the loan**

To prevent, detect and respond to the threat posed by COVID-19 and strengthen the national systems for public health and preparedness in Kenya.

REPORT ON NEW LOANS CONTRACTED BY THE NATIONAL GOVERNMENT FROM 1ST SEPTEMBER TO 31ST DECEMBER 2019

No.	Purpose of the Loan	Perceived benefits	Creditor	Borrower	Original loan amount	KSh Equivalent	Loan Currency	Agreement Date	Maturity Date	Failure from June 2019	Disbursement during the period (in Ksh)	Disbursement during the period (in Ksh)	Outstanding amount as at June, 2020	Terms of the Loan
<b>A. ENVIRONMENT</b>														
1	Lake Nakuru Watershed Conservation Project	To finance goods and services improving waste water and water management in the town of Nakuru	Government of Germany	Government of Kenya	20,000,000	3,353,313,500	EUR	30th December 2019	15th November 2025	Nil	Not Disbursed	Not Disbursed	Nil	6 Years 0.75 Percent 64 semi-annual repayments in 36 instalments of EUR 453,000 from 15th May 2020 through to 15th November 2025 and 8 instalments of EUR 454,000 from 15th May 2025 through to 15th November 2025
<b>B. INFRASTRUCTURE</b>														
2	1-Mall Project for the Design of a Steel Probe for Vehicles in Nairobi	To finance goods and services for construction of 1-Mall Probe	Industria De Credito, Spain	GOKE	21,250,000	2,688,432,375	EUR	12th November 2019	12th Mar. 2024	Nil	Not Disbursed	Not Disbursed	Nil	10 Years 0.20 Percent 48 equal semi-annual repayments each of EUR 484,375 from 12th November 2020 through to 12th Mar. 2024
3	Mombasa Gate Bridge Construction Project (I)	To develop the Mombasa Gate Bridge (MGB) Construction Project with the aim of providing a functional road connection between Mombasa Island and Mombasa Peninsula. The project is a joint venture between China State Construction Engineering Group (CSCEC) and Kenya State Services (KSS)	International Cooperation Agency	GOKE	47,800,000,000	47,715,202,800	Japanese Yen	5th December 2019	20th December 2029	Nil	Not Disbursed	Not Disbursed	Nil	11 Years Interest rate for Tranche 1 of the loan is 0.1% p.a. and Tranche 2 is 0.01% p.a. The first instalment of Yen 790,976,000 (Tranche 1) and Yen 47,704,000 (Tranche 2) will be repaid on 20th December 2021 followed by 36 equal semi-annual repayments of Yen 790,976,000 (Tranche 1) and Yen 47,704,000 (Tranche 2) from 20th June 2022 through to 20th December 2029
4	Construction of Five Foot Bridges in Mombasa and Lamu Roads	To finance the obligations of the lender in relation to the contract and payment of eligible goods and services	Banco Hispano Argentino S.A. Spain	GOKE	2,083,579,90	240,904,342.91	EUR	7th January, 2020	7th February 2025	Nil	Not Disbursed	Not Disbursed	Nil	6 Months 6 Months further + a fixed margin of 2.25% p.a. 10 Principal Repayments of 208,337,990 EUR to be paid semi-annually on August 17 and February 17 beginning in August 2020 through to February 2025
5	Construction of Five Foot Bridges in Mombasa and Lamu Roads	To finance the obligations of the lender in relation to the contract and payment of eligible goods and services	Banco Hispano Argentino S.A. Spain	GOKE	11,805,819.38	1,363,124,603.63	EUR	7th January, 2020	7th October 2022	Nil	Not Disbursed	Not Disbursed	Nil	3 years Interest to be charged on a daily basis at commercial interest reference (CER) rate subject to a minimum rate of 0.000% and no maximum rate plus a fixed margin of 1.000% p.a. to be paid semi-annually
<b>C. EDUCATION</b>														
6	Financing of Vocational Training in Kenya Phase II	To finance the establishment of centers of Excellence for vocational training and foreign exchange costs	Government of Germany	GOKE	12,000,000	1,387,578,000	EUR	30th December 2019	30th August 2027	Nil	Not Disbursed	Not Disbursed	Nil	6 Years 0.75% (4 unequal semi-annual repayments each of Eur 187,000 starting 28 <sup>th</sup> February 2020 through to 30 <sup>th</sup> August 2024 and Eur 188,000 starting from 28 <sup>th</sup> February 2024 ending 30 <sup>th</sup> August 2025
<b>D. HOUSING</b>														
7	Affordable Housing Project	To expand access to affordable housing finance to targeted beneficiaries	International Bank for Reconstruction & Development	GOKE	210,000,000	25,523,308,500	EUR	5th December 2019	15th Jun. 2024	Nil	Not Disbursed	Not Disbursed	Nil	4 Years Interest rate is the Reference rate plus the fixed spread or following a Conversion
<b>E. ENERGY</b>														
8	Shipyard's Financing for Highway Project	To support the migration of the power systems of Eastern Africa Power Pool (EAPP) member countries to promote power trade and regional integration and further create a backbone power transmission network that interconnects the EAPP and Southern African Power Pool	African Development Bank	GOKE	26,510,000	3,065,301,065	EUR	19th June 2019	15th February 2041	Nil	Not Disbursed	Not Disbursed	Nil	5 Years Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the leading margin, financing cost premium and the margin-annuity
<b>F. RISK MANAGEMENT</b>														
9	Financial Risk Management	To support the migration of the power systems of Eastern Africa Power Pool (EAPP) member countries to promote power trade and regional integration and further create a backbone power transmission network that interconnects the EAPP and Southern African Power Pool	African Development Bank	GOKE	26,510,000	3,065,301,065	EUR	19th June 2019	15th February 2041	Nil	Not Disbursed	Not Disbursed	Nil	5 Years Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the leading margin, financing cost premium and the margin-annuity

