


The National Treasury and Planning



REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY
GOVERNMENT OF KENYA
FROM
1ST JANUARY 2019 TO 30TH APRIL 2019

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|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: | 27 JUN 2019 |
| TABLED BY: | Hon. Washicki Jomo Majority Whip |
| CLERK-AT-THE-TABLE: | Lemuna Moses |
| | DAY: Thursday |

REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY GOVERNMENT FROM 1ST JANUARY 2019 TO 30TH APRIL 2019

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 January 2019 to 30th April 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.

2. This section of the report contains six (6) new loans contracted between Government of Kenya and, commercial, bilateral and multilateral creditors. One of the loans is from a multilateral lender, three from bilateral lenders and two are from commercial lenders. The total values of the 6 new loans signed are equivalent to Ksh 208,033,530,000. All the two new commercial loans have been disbursed by the time of submitting this report. The proceeds of the loans will finance infrastructure projects in the energy, industrial and technical assistance; in addition the commercial loans will be used for general budget support including financing development infrastructure projects and refinancing maturing commercial debt. The list of the new loans are as outlined below;

A. Technical assistance to support GesDek program

i. The parties to the loan

The loan was signed on 23rd January 2019 between Agence Francaise De Development (AFD) 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 30,000,000.00 approximately equivalent to Ksh 3,411,000,000 to be repaid in Euro.

iii. The terms and conditions of the loan

The loan will be repaid in 40 equal semi-annual repayments each of Euro 750,000 starting 24th May 2024 through to 30th November 2043. The interest rate of the loan is 2.17 percent per annum on disbursed loan amount.

iv. The purpose for the loan

The overall goal of the AFD credit facility is to support the implementation of the Kenyan Public Financial Management reform strategy and pursue the following objectives; improve the public financial management in the fields that have a direct impact on service delivery efficiency, strengthen the budgetary risks management of the Kenyan State in the context of the implementation of the devolution.

B. USD 250 million syndicated loan term facility

i. The parties to the loan

The loan was signed on 17th January 2019 between Eastern and Southern African Trade 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 USD 250,000,000.00 approximately equivalent to Ksh 25,325,000,000.00 and will be repaid in USD.

iii. The terms and conditions of the loan

The loan will be repaid in 16 equal semi-annual repayments each of USD 13,888,888.88 starting 23rd January 2020 through to 23rd January 2029. The interest rate of the loan is USD 6 month LIBOR plus a margin of 7 percent per annum on disbursed loan amount.

iv. The purpose for the loan

The facility was used to refinance and cancel in full the 2016, 2 year USD 250mm syndicated loan facility that was arranged by Trade Development Bank in the 2016/17 fiscal year. The loan was used for liability management operation to assist in lengthening and smoothening the existing maturity profile of the debt portfolio.

C. Kenya Social and Economic Inclusion Project

i. The parties to the loan

The loan was signed on 31st January 2019 between International Development Association 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 215,900,000 approximately equivalent to Ksh 24,547,830,000 and will be repaid in EURO.

iii. The terms and conditions of the loan

The loan will be repaid in 40 equal semi-annual repayments to be paid in two periods. First being 30 semi-annual repayments each of Euro 890,587.50 starting 15th April 2024 through to 15th April 2044 and 10 semi-annual repayments each of Euro 18,027,650 starting 15th October 2044 to 15th April 2053. The interest rate of the loan is 1.25% per annum on disbursed loan amount. Service charge that is the greater of: (a) the sum of 0.75 percent per annum plus basis adjustment to service charge and; (b) 0.75 percent per annum; on the withdrawn credit. A commitment fee of 0.5 per cent on unwithdrawn balance.

iv. The purpose for the loan

The development objective of the Social and Economic Inclusion Project for Kenya is to strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households. It has three component. First component, Strengthening Social Protection Delivery Systems which will support the enhancement of the existing Social Protection (SP) delivery systems established under the ongoing National Safety Net Program (NSNP) and will aim to further consolidate the Consolidated Cash Transfer Program (CCTP) 25 under the State Department of Social Protection (SDSP), and Hunger Safety Net Programme (HSNP) under the National Drought Management Authority (NDMA), within a consistent and coherent delivery system. Second component, Increasing Access to Social and Economic Inclusion Interventions which will contribute to the Government of Kenya (GoK's) goal of universal health coverage by establishing and supporting a functional referral mechanism to improve NSNP beneficiaries access to the National Hospital Insurance Fund (NHIF) and expand nutrition-sensitive safety net services to additional counties; and Third component, Improving the Shock Responsiveness of Safety Net System will support the NDMA to expand HSNP coverage and improve the shock responsiveness of the safety net system, including financing arrangements for timely support to vulnerable households affected by climate induced risks.

D. USD 1.25 billion equivalent syndicated loan term facility

i. The parties to the loan

The loan was signed on 22nd February 2019 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 divided in three tranches. Tranche one is of USD 250,000,000 approximately equivalent to Ksh 25,325,000,000 and will be repaid in USD. Tranche two of

the loan is USD 450,000,000 equivalent Ksh 45,585,000,000 Tranche three is of EURO 485,000,000 equivalent to Ksh 55,144,500,000.

iii. The terms and conditions of the loan

Tranche one of the loan will be paid in 16 equal semi-annual repayments each of USD 13,888,888.89 from 27th February 2020 through to 27th August 2028. The interest rate of the loan is USD 6 month LIBOR plus a margin of 6.95% per annum on disbursed loan amount plus a one off arrangement fee of 2.75 percent of the facility amount.

Tranche two of the loan will be paid in 12 equal semi-annual repayments each of USD 37,500,000 from 27th August 2020 through to 27th February 2028. 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 arrangement fee of 2.75 percent of the facility amount.

Tranche three of the loan will be paid in 12 equal semi-annual repayments each of EURO 40,416,666.67 from 27th August 2020 through to 27th February 2028. The interest rate of the loan is 6 month EURIBOR plus a margin of 6.35% per annum on disbursed loan amount plus a one off arrangement fee of 2.75 percent of the facility amount.

The loans will attract an Agency fee of USD 10,000. 10

iv. The purpose for the loan

The facility was used to refinance amounts outstanding under the syndicated term loan dated 9 March 2017 of USD 988 million and to fund the budget approved infrastructure development projects by the Kenyan Parliament in fiscal year 2018/2019. The loan was used for liability management operation to assist in lengthening and smoothening the existing maturity profile of the debt portfolio.

E. Reinforcement of Electricity Transmission Network

i. The parties to the loan

The loan was signed on 14th March 2019 between Agence Francaise De Development (AFD) 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 94,000,000 approximately equivalent to Ksh 10,687,800,000 and will be repaid in EURO.

iii. The terms and conditions of the loan

The loan will be repaid in 26 equal semi-annual repayments each of EURO 3,615,384.62 starting 31st July 2026 through to 31st January 2039. The interest rate of the loan is 2.0 percent per annum on disbursed loan amount. In addition, a commitment fee of 0.5 percent per annum on the undisbursed loan amount.

iv. The purpose for the loan

The purpose of the loan is finance eligible expenses in accordance with the reinforcement of Kenyan Transmission Network (RETNET) to support Kenya's economic development by improving the security, reliability and efficiency of the electricity transmission system. The project will contribute to the improvement of the security, reliability and performance of the Kenyan Grid; Reducing technical losses and allow the integration of more intermittent renewable energy; strengthening the network and improving access between Mombasa and Nairobi; strengthening the technical capability of KETRACO and support the authorities in structuring the sector.

F. Kenya Konza Data Center and Smart City Facilities

i. The parties to the loan

The loan was signed on 26th April 2019 between Exim 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 Chinese Yuan 1,225,000,000 approximately equivalent to Ksh 18,007,500,000 and will be repaid in Chinese Yuan.

iii. The terms and conditions of the loan

The loan will be repaid in 26 equal semi-annual repayments of Yuan 47,115,384.61 starting 21st March 2026 to 21st September 2038. The interest rate of the loan is 2 percent per annum on disbursed loan amount. A commitment fee of 0.5 per cent is payable on undisbursed balance.

iv. The purpose for the loan

The loan is to finance detail design plan for ancillary facilities of the first phase of Konza Techno City, which may affect the construction of this project, including but not limited to internal road system, electricity supply system, water supply system, sewerage system and landscape engineering.

REPUBLIC OF KENYA



THE NATIONAL TREASURY AND PLANNING

REPORT ON NEW LOANS CONTRACTED BY THE NATIONAL GOVERNMENT FROM 1ST JANUARY TO 31ST APRIL 2019

| No. | Purpose of the loan | Perceived benefits | Creditor | Borrower | Original loan amount | Ksh Equivalent | Loan Currency | Agreement Date | Maturity Date | Balan ce b/f during the period (foreign currency) | Disbursement during the period in (Ksh) | Outstanding amount as at June, 2019 | Terms of the loan | |
|---------------------------|--|---|---|----------|----------------------|--------------------|---------------|----------------|---------------|---|---|-------------------------------------|-------------------|--|
| A. FINANCE | | | | | | | | | | | | | | |
| 1 | Technical assistance to Support GesDek Program | Improve financial management in the fields that have direct impact on service delivery efficiency and strengthen budgetary siks management of the Kenyan state in the context of the implementation of the devolution | Francrise De Development (AFD) | GOKE | 30,000,000 | 3,411,000,000 EUR | EUR | 23/01/2018 | 31/11/039 | NIL | Not Disbursed | Not Disbursed | Nil 5 years | 2% 40 equal semi annual repayments of Euro 750,000 Starting 31st May 2019 |
| B. SOCIAL ECONOMIC | | | | | | | | | | | | | | |
| 2 | Kenya Social and Economic Inclusion Project | Strengthen delivery systems for enhanced access to social and economic inclusion services and shock-responsive safety nets for poor and vulnerable households. | International development Association (IDA) | GOKE | 215,900,000 | 24,547,730,000 EUR | EUR | 31/01/2019 | 15/04/205 | 3 | Not Disbursed | Not Disbursed | Nil 6 years | 1% 40 equal semi-annual repayments each of EURO 890,587.50 starting 15th April 2024 and EURO 18,027,650 starting 15th October 2044 |

| E. COMMERCIAL DEBT | | | | | | | | | | | | | |
|--|--|------|---|------------------------|-----|------------|------------|----|--|------------------------|--------|---|---|
| 5 USD 1.25 billion To refinance and cancel the 2019 USD 1 billion equivalent syndicated term loan facility borrowed for budget support. The loan will help lengthen and smoothen the maturity structure of the existing debt portfolio | Eastern and Sothern African Trade and Development Bank (TDB) | GOKE | Tranche I is of USD 250,000,000, Tranche II of the loan is USD 450,000,000, and Tranche III is of | 126,054,500,000 | USD | 22/02/2019 | 27/08/2021 | NI | USD 250,000,000, USD 450,000,000, and EURO 485,000,000 | 126,054,500,000 | 1 year | Tranche I is USD 6 month LIBOR plus a margin of 6.95%, Tranche II USD 6 month LIBOR plus a margin of 6.45%, Tranche three 6 month EURIBOR | Tranche one-16 equal semi-annual repayments - of USD 13,888,888.89 from 27th Feb 2020, Tranche -12 equal semi-annual repayments - of USD 37,500,000 from 27th August 2020, Tranche three -12 equal semi-annual repayments each of |
| 6 USD 250M Refinancing Maturing USD 250 loan from Trade syndicated loan Development Bank. The loan will help lengthen and smoothen the maturity structure of the existing debt portfolio | Eastern and Sothern African Trade and Development Bank (TDB) | GOKE | 250,000,000 | 25,325,000,000 | USD | 17/01/2019 | 23/1/2029 | NI | 250,000,000 | 25,325,000,000 | 1 year | LIBOR+7% per | 16 equal semi annual repayments of USD 13,888,888.88 Starting 23rd January 2020. |
| Total | | | | 208,033,530,000 | | | | | | 151,379,500,000 | | | |
| Source: The National Treasury, April 2019 | | | | | | | | | | | | | |
| Note: Libor means London Interbank offered Rate and Euribor means Euro Libor | | | | | | | | | | | | | |
| EURIBOR means Euro Interbank Offered Rate | | | | | | | | | | | | | |
| IDA is International Development Association | | | | | | | | | | | | | |
| GOKE is Government of Kenya | | | | | | | | | | | | | |