SESSIONAL PAPER NO. 3 1972

GOVERNMENT GUARANTEE FOR A LOAN BY THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK) 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 in various currencies equivalent to eight million dollars ($8,000,000) or approximately K£2,857,143 at the present rate of exchange, by the International Bank for Reconstruction and Development (World Bank) to the East African Development Bank. The loan will bear the going rate of interest at any given time (at present 7¼%) on the principal amount of loan withdrawn and outstanding from time to time. In addition, there will be a commitment charge at the rate of three-fourths of one per cent (¾ of 1%) per annum on the principal amount of the loan not withdrawn from time to time. The loan is repayable over a period of ten years beginning January/July, 1974 in accordance with an agreed amortization schedule, the interest and other charges are payable semi-annually.

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 East African Development Bank has asked the International Bank for Reconstruction and Development (World Bank) to make the aforementioned loan to assist it in financing development projects through loans and investments in productive enterprises in the three Partner States. The terms and conditions of the loan oblige the borrower to carry out detailed feasibility studies prior to investments; to consult regularly the Partner States on any changes in its policies and programmes and always to act in accordance with the directive of its Board of Directors on which the

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three Partner States are represented; and to obtain the prior approval of the World Bank on individual loans or investments of more than $300,000 (K£1,071,429).

Parliament is now requested to agree that the Kenya Government extend to the International Bank for Reconstruction and Development joint and several guarantees in the sum of $ 8 million.

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£76,249,547. With the guarantee of K£2,857,143 proposed in this Sessional Paper, the aggregate will be increased to K£79,106,690 of which K£33,106,690 will fall within paragraph (a) and K£45,738,543 within paragraph (b) of Section 3 of the Act.

The Treasury
NAIROBI

8th June, 1972.