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SESSIONAL PAPER NO. 4 OF 1978  
GOVERNMENT GUARANTEE OF A LOAN  
TO THE EAST AFRICAN DEVELOPMENT  
BANK FROM THE AFRICAN DEVELOPMENT  
BANK UNDER THE GUARANTEE (LOANS)  
ACT (CAP. 461)

1. In accordance with the provisions of section 5(1) of the Guarantee (Loans) Act Chapter 461 of the Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.
2. The Government proposes to guarantee severally with the Governments of the United Republic of Tanzania and the Republic of Uganda, a loan in various currencies equivalent to five million Units of Accounts (U.A. 5,000,000) which is approximately six million United States dollars (US\$6,000,000) or two million three hundred and seventy thousand Kenya pounds (£2,370,000) at current exchange rates, to be advanced by the African Development Bank, (ADB) to the East African Development Bank, (EADB).
3. The loan will bear interest at the rate of seven and half per cent (7½%) per annum on the principal amount of the loan disbursed and outstanding from time to time. In addition, the loan is also subject to statutory commission of one percent (1%) per annum and a commitment charge of three quarter (¾) of one percent (1%) per annum on the principal amount disbursed and outstanding from time to time. The loan is repayable over a period of ten (10) years, after a grace period of three (3) years commencing from the date the agreement was signed, in twenty (20) equal and consecutive semi-annual instalments, in accordance with an agreed amortization schedule.

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Interest, statutory commission, and commitment charges are payable semi-annually on January 1, and July 1, of each year.

4. EADB was established under Article 21 of the Treaty for East African Co-operation, and its charter is set out in Annex IV of the said Treaty.

5. The EADB has therefore requested for and the ADB has agreed to advance the aforementioned loan to assist EADB in financing development projects through loans and investments in productive enterprises in the three states. The Loan Agreement requires EADB to apportion and the proceeds of the loan in such a way that one third each of the said loan is invested in Kenya, Uganda and Tanzania, and is subject to the provision severally by the governments of the Republic of Kenya, Uganda and Tanzania of guarantees of the obligations of EADB under the loan Agreement in respect of that portion of the proceeds of the loan which that is invested in each of the respective countries.

6. It is stated in paragraph 2 above, at current exchange rates, five million Units of Account (U.A. 5,000,000) is equivalent to US\$6,000,000 or K£2,370,000. Parliament is therefore requested to agree that the Kenya Government extend to ADB a guarantee in respect of one third of the proceeds of the loan that are invested in Kenya, that is, US\$2,000,000 equivalent to K£790,000.

7. 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£341,626,291. With the proposed guarantee of

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K£790,000, the aggregate will be increased to K£342,416,291 of which K£253,667,019 will fall within paragraph (a) and K£88,749,272 within paragraph (h) of Clause 3(3) of the Act.

HON. MWAI KIBAKI, M.P.  
MINISTER FOR FINANCE AND PLANNING

5th May, 1978

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THE HISTORY OF THE UNITED STATES

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