

Speaker N.A.
Clerk Asst. H

Clerk Asst. H

Clerk Asst. H

Clerk Asst. H

Clerk Asst. SESSIONAL PAPER No. 5 OF 1980

The Kenya Government Guarantee of a loan to the Industrial Development Bank Limited from the Arab Bank for Economic Development in Africa.

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 relating to a guarantee by the Government of the obligations of the Industrial Development Bank Limited (hereinafter referred to as "IDB") in respect of a loan of United States Dollars 5 million equivalent to Kenya Shillings 36.9 million at current rates of exchange to be granted to IDB by the Arab Bank for Economic Development in Africa of P.O. Box 2211, Khartoum, Sudan (hereinafter referred to as "BADEA").
- 2. IDB was established at the initiative of the Government in January, 1973 to promote and stimulate the industrial development of Kenya by providing medium and long-term loans and equity finance for industrial projects which are economically sound, financially viable and technically feasible. In approving projects for financing, IDB gives considerable weight to projects that are labour intensive and make maximum use of local resources and raw materials.
- 3. The authorised share capital of IDB is KShs. 240 million comprising of KShs. 200 million Class A ordinary shares and KShs. 40 million Class B ordinary shares. The Government holds 49% of the Class A ordinary shares, the rest being held in equal proportions of 12½% each by wholly owned Government institutions namely: the Industrial and Commercial Development Corporation, the Kenya National Assurance Company Limited, the National Bank of Kenya Limited and Kenya Reinsurance Corporation. All subscribed Class B shares are held by the Government.
- 4. BADEA was formed by Arab States in 1974 in order to forster economic, financial and technical co-operation between African countries and countries in the Arab world by, inter alia, assisting public or private companies, organisations and projects carrying out their business in African countries and in whose capital the Governments or citizens of those countries have a majority holding.

...../2

SESTION FAREN NO. 5 OF 15 RA

The Kenya Covarument Guarantee of a Loan to the Industrial Development Bant Limited from the Arth Bank for Decordic Development in Africa

THE GUARAGETS (LOAMS) ACT (CAR. 451)

- 1. In accordance with the provisions of the Guarantes (Loans)
 Act (Cap. 461) the following information to laid hefore
 the Bartonal Assembly relations of the guarantee by the
 Government of the obligations of the Industrial Devalopment
 Sand Limited (hereinstran referred to as "TDB") in respect
 of a loan of United States Dollars Similian equivalent
 to Kenye Smillings 36.5 multion at current inter col
 exchange to be granted to IDB by the Arab Bank for Economic
 gevelopment in Atrice of P.O. Box 2011; Khartoum, Sudan
 (here mainer referred to a "BADBA").
 - 2. IDB was established at the initiative of the Covernment in January, 1973 to promote and stimulate the industrial development of Years by reviding medium and long-term from and equity finance for industrial stocyclects which are scongnically sound. It manually viable are technically feasible. In approving projects for the architectures considerable weight to projects that are about intensive and make maximum use of local resources and tay materials.
- The authorised share capital of IDS is Fibs. 240 militon comprising of EShs. 200 militon Class A cominary shares and EShs. 40 militon Class S ordinary diames. The Covernment holds 39% of the Class A criticary deales, the cest being held in equal proportions of 12% each by sholly owned Covernment institutions mane y: the industrial and Commercial Development Corporation, the Weight Vational Actional Lank of Leave Composation, the Weight Constant Control Lank of Composation of Control Lank of Composation Corporation.

 Limited and Echyla Relaxurates Composation. All relaxurabed Class & shares are held by the Government.
- RADEA os formed by Arab Stores in 1994 in order to forster economic, financial and technical co-operation between African countries and countries in the Arab world by, inter alia, assiming public or private companies, organisations and projecto carrying out their business in African countries and in whose capital the Southente or ditisens of those countries have a majority holding.

Characa.

- 5. The Government expects IDB to finance most of its investments by raising long-term loans from foreign institutions. In this way IDB plays a leading role in finding the foreign exchange needed to finance the importation of capital goods required for industrial development. The loans raised by IDB are on-lent on commercial terms to various industrial enterprises in accordance with Government development strategy.
- The said loan will be utilised for procurement of foreign goods and services.
- 7. The loan will bear interest at the rate of 7% per annum on the amount withdrawn and outstanding from time to time. Such interest will be paid semi-annually in arrears.
- The principal amount of the loan will be repaid over a period of 12 years including a grace period of three years.
- 9. The effectiveness of the loan is conditional upon a guarantee being provided by the Government. The National Assembly is therefore requested to approve that the Government may guarantee repayment of the loan referred to in paragraph 1 and other charges therein.
- 10. The current total contingent liability of the Government in respect of guarantees given under Section 3 of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amounts fo K£ 294,398,094. With the guarantee of a sum equivalent to K£ 18,450,000 now proposed, the aggregate will be increased to K£ 312,848,094 of which K£ 12,585,583 will fall within paragraph (a) and K£ 300,262,511 within paragraph (b) of Section 3 (3) of the Act.

HON. MWAI KIBAKI VICE-PRESIDENT & MINISTER FOR FINANCE 5. The Government expects IPB to finance must of its finvestments by rateing long-term leans from foreign in institutions. In this way IBB clave a leading role in inding the foreign exchange medded to finance the importation of capital goods required for industrial development. The loans raised by IBB are one-lone on commercial terms to various industrial accordance with Government davelopment etrategy.

- 6. The said loan will be utilised or procurement of forsion goods and services.
- 7. The loan will bear interest at the tite of 7% per annum on the amount withdrawn and nuceinedist iron time to 6ime. Such interest will be pair sami-amountly in arrest.
 - 8. The principal count of the loan ill le registé over a curio of le years including a grace period of three years.
- 9. The effectiveness of the loan is conditional upon a guerantee being provided by the sovernment. The National Searchly is therefore requested to ammrove that the Covernment may guarantee repayment of the loan referred to in paragraph 1 and other tharms therein.
- 10. The current total contingent liability of the Government, in respect of guarantees given under Gettion 3 of the Guarantee (Loans) Act (Otion than those specified in the schedule to the Act) amounts so se 200,398,394. With the guarantee of a sum equivalent to SC 18,450,000-now proposed, the aygregate will be increased to RC 322,548,094 of which XC 12,565,563 will tall within paragraph (a) and RC 300,262,511 within maragraph (b) of Section 3 (3) of the Act.

TOPALITE FOR STREET OF THE SOU