



REPUBLIC OF KENYA

MINISTRY OF FINANCE

SESSIONAL PAPER 5

OF 1993

GOVERNMENT GUARANTEE OF A LEASE AGREEMENT BETWEEN TRANSTRADE
(PROPRIETARY) LTD AND INVESTEC BANK LTD OF SOUTH AFRICA
AND KENYA RAILWAYS CORPORATION

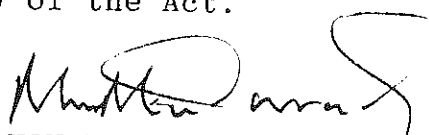
- 1.- In accordance with the provisions of the Guarantee (Loans) Act (Cap 461 of the Laws of Kenya) the following information is laid before the National Assembly for consideration and approval..
2. The Kenya Railways Corporation is a wholly owned Government parastatal, which was established under The Kenya Railways Corporation Act Cap 397 of 1978. The Act of Parliament provided for the establishment of the Corporation to be known as Kenya Railways, for the transfer to Corporation of the undertakings of the East African Railways Corporation within Kenya.
3. Kenya Railways Corporation is faced with inadequate locomotive availability, as a result of which hauling capacity has declined by almost 30%. As a result Kenya Railways Corporation has accordingly studied several options for short term measures to address the problem including:-
 - Stepping up spares supply to reclaim immobilised locomotives.
 - Re-powering some of the existing locomotives whose availability have declined due to age and abselensence.
 - Leasing 10 No type 9 locomotives to improve hauling capacity until a more permanent motive power is established.
4. With the full support of the Government, the Kenya Railways Corporation has entered into a lease agreement with Transtrade(the Commercial Arm of Spoornet

and Investec Merchant Bank Ltd of South Africa (appointed by Transtrade to handle financial interest in the agreement) for the lease of 10 locomotives at a monthly hire charge of South African Rand(R) 954,800 which is equivalent to KShs. 19,573,000. As the lease will be for a period of 48 months(4 yrs) the rental charges for 10 locomotives will be R 45,830,400 which will be equivalent to KSh. 939,504,000 at the prevailing exchange rate. Kenya Railways is also exploring the possibility of purchasing new locomotives before the expiry of the lease agreement.

5. The payment for the 10 No. Locomotives will be made monthly in advance at the rate of R 954,800 per month (equivalent to KSh. 19,573,000) which is the daily hire charges and insurance for 31 days. The lease charges will be escalated at the rate of 6% per annum during the lease period. The 10 Locomotives will generate total revenue of KSh. 132,450,000 per month which will cover the monthly lease charges and leave a balance of KSh. 112,877.000.
6. Transtrade will maintain the locomotives on KRC's facilities at their(Transtrade's) cost using their imported spares. They will set up component maintenance facilities for sub-assemblies at their expense which would be used by KRC as well. They will maintain a minimum of 80% availability on the locomotives using KRC staff to be hired to them, and they will provide the necessary training required for these staff within the country and in the Republic of South Africa.
7. As at June 1993 the Kenya Railways Corporation had outstanding foreign debt of K£ 102,254,905.25.
8. The National Assembly is therefore requested to approve the Government Guarantee of a lease of R 45,830,400 equivalent to Ksh. 939,504,000

from Transtrade (Proprietary) Ltd to Kenya Railways Corporation. This guarantee is being supported because according to the policy paper on Public Enterprise Reform and Privatisation of 1992, Kenya Railways Corporation was classified as a strategic commercially oriented state enterprise to be retained in the public domain.

9. The current total contingent of the Government of Kenya in respect of guarantees given under Section 3(3) of the Guarantees Loans Act (other than those specified in the schedule of the Act) amounts to Kf 3,535,972,140 and with the Guarantee of KSh 939,504,000 equivalent of Kf 46,875,200 which is proposed in this Sessional Paper, the aggregate amount will increase to Kf 3,582,847,340 of which Kf 40,163,044 for local guarantee will fall within paragraph (a) and Kf 3,542,684,296 for external guarantees within paragraph (b) of Section 3(3) of the Act.


~~HON MUSALIA MUDAVADI~~
~~MINISTER FOR FINANCE~~



REPUBLIC OF KENYA

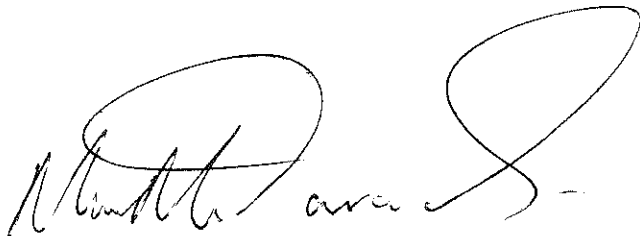
MINISTRY OF FINANCE

SESSIONAL PAPER NO 6 OF 1993

GOVERNMENT GUARANTEE OF LOAN BETWEEN MISUBISHI CORPORATION(UK)
LIMITED AND KENYA MEAT COMMISSION

1. In accordance with provision of the Guarantee (Loans) Act (Cap 461 of the Laws of Kenya) the following information is laid before the National Assembly for consideration and approval.
2. The Kenya Meat Commission is a wholly owned Government Parastatal, which was established under the Kenya Meat Commission Act Cap 363 of 1950 of the laws of Kenya. The act of Parliament provided the establishment of a commission to purchase cattle and smallstock, and to acquire, establish and operate abattoirs, meat works, cold storage concerns and refrigerating works for the purpose of slaughtering cattle and smallstock. The act also enabled the KMC to process by-products, preparing hides and chilling, freezing, canning and storing beef, mutton poultry and other meat foods for export or for consumption within Kenya and to confer certain exclusive rights upon the said commission and for other purposes incidental thereto and connected therewith.
3. With the full support of the Government of Kenya, Kenya Meat Commission has entered into an agreement with Mitsubishi Corporation (UK) Ltd (MCUK) which has agreed to lend USD\$ 3,300,000 to Kenya Meat Commission. The Loan is to enable Kenya Meat Commission to purchase equipment and machinery from Hema Technologies S.A. The equipment and machinery will be installed at the Kenya Meat Commission Factory at Athi River.
4. The Government propose to guarantee a loan of USD\$ 3,300,000 equivalent to K£ 11,395,560 at the current exchange rate to be made to Kenya Meat Commission by Mitsubish Corporation (UK) Ltd (MCUK).

5. The Government has agreed and decided that Kenya Meat Commission should obtain the loan to purchase equipment and machinery necessary to rehabilitate the KMC's Athi River Facilities.
6. The loan will carry a maturity of 6 years i.e. 5 years repayment period and one year grace period. It will be paid by sixty(60) consecutive and substantially equal instalments and will carry an interest rate of three month LIBOR rate plus two percent (2%) per annum.
7. The Kenya Meat Commission has no foreign loan but as at 30th June, 1993. Kenya Meat Commission had irredeemable and redeemable local loans amounting to Kf 15,291,648.
8. The National Assembly is required to approve the guarantee of a loan of USD\$ 3,300,000 equivalent to Kf 11,395,560 from Mitsubishi Corporation (UK) Ltd at the prevailing exchange rate.
9. The current total contingent of the Government of Kenya in respect of guarantees given under Section 3(3) of the Guarantees Loans Act(other than those specified in the schedule of the Act) amounts to Kf 3,582,847,340 and with the guarantee of Kf 11,395,560 which is proposed in this Sessional Paper, the aggregate amount will increase to Kf. 3,590,789.700 of which Kf 40,163,044 for local guarantee will fall within paragraph (a) and Kf 3,594,242,900 for external guarantees within paragraph (b) of Section 3(3) of the Act.


HON. MUSALIA MUDAVADI
MINISTER FOR FINANCE