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SESSIONAL PAPER NO. 4 OF 1979

GOVERNMENT GUARANTEE OF MONEYS LENT TO DEVELOPMENT
FINANCE COMPANY OF KENYA LIMITED BY EIB LUXEMBOURG
OF THE EUROPEAN ECONOMIC COMMUNITY TO FINANCE THE
VARIOUS DEVELOPMENT PROJECTS

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THE GUARANTEE (LOAN) ACT, CAP 461

In accordance with provisions of the Guarantee (Loan) Act,
(Chapter 461 of the Laws of Kenya) the following information
is laid before the National Assembly for consideration and
approval.

1. The Government proposes to guarantee a loan of 5,000,000 European Units of Accounts (equivalent to approximately Kenya Shillings fifty million) to be made to Development Finance Company of Kenya Limited by the European Investment Bank, Luxembourg, in accordance with European Economic Community's indicative aid programme to Kenya under the ACP/EEC Convention of Lome.
2. The Loan is to be utilised for financing of industrial projects by the Development Finance Company of Kenya Limited and will supplement the Government's efforts in the development of the industrial sector.
3. The Development Finance Company of Kenya Limited (DFCK) was incorporated on 13th September 1963. The authorised and issued share capital is Shs 80 million of which Shs 60 million has been paid up in varying proportions by the Industrial and Commercial Development Corporation (ICDC, a statutory body established by an Act of Parliament), the Commonwealth Development Corporation (a British statutory body), the Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH (German Development Company Ltd) and the Nederlandse Financierings - Maatschappij voor Ontwikkelingslandes N.V. (Netherlands Finance Company for Developing Countries Ltd).

In addition, these shareholders have provided Shs 60 million by way of income notes in equal proportions and further income notes of Shs 20 million have been subscribed equally by the Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH (Germany Development Company Ltd) and the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Netherlands Finance Company for Developing Countries Ltd) under separate income note Agreement.

4. The loan will bear interest at the rate of about 6½ per cent per annum calculated on the amount of the loan drawn and outstanding from time to time. Interest on the loan principal will be paid half-yearly in arrears.

5. The loan carries a grace period of 4 years and the principle amount will be repaid to the lender over 7 years by equal half-yearly instalments starting on 30th September 1983.

6. The loan is conditional upon a guarantee being provided by the Government of Kenya for which Parliament's approval is sought.

7. All payments under the loan agreement are to be made by the borrower to European Investment Bank in the currency in which the loan has been disbursed.

8. The current total contingent liability of the Government in respect of all guarantees provided to date under Section 3 of the Guarantee (Loan) Act (excluding liability under collateral and those specified in the schedule to the Act) amounts to K£ 268,177,346. With the guarantee of 5,000,000 European Units of Account (equivalent to KShs 50 million) proposed in this Sessional Paper, the aggregate will be increased to K£270,677,346 of which K£6,296,853 falls within paragraph (a) and K£264,380,583 within paragraph (b) of Section 3(3) of the Act.

(E.T. MWAMUNGA)
Minister for Commerce & Industry

