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SESSIONAL PAPER NO. 6 OF 1981

The Kenya Government Guarantee of a Loan to the Industrial Development Bank Limited from the Industrial Development Bank of India.

THE GUARANTEED (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 Rs. 100 million (One hundred million Indian Rupees) equivalent to approximately KSh5,521,500 to be granted to IDB by the Industrial Development Bank of India, a Corporation constituted under the Industrial Development Bank of India Act 1964 and having its Head Office at Wariman Bhavan, 227, Vinay K. Shah Marg, Wariman Point, Bombay - 400 021, India.
2. IDB was established at the initiative of the Government in January, 1973 to promote and stimulate industrial development of Kenya by providing medium and long term loan finance and participating in equity of various industrial projects which are economically sound, technically feasible and financially viable. 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. IDB has since its inception continued to mobilise foreign currency resources needed to finance importation of capital goods required for Kenya's industrial development.

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INDUSTRIAL DEVELOPMENT

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4. IDB will continue to finance most of its investment by raising long term loans from foreign institutional lenders. In this way IDB will play 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's development strategy and may be used for both foreign exchange and local costs.
5. The said loan will be used for procurement of capital goods and services from India.
6. The loan will bear interest at the rate of 8% per annum on the amount of loan disbursed and outstanding from time to time. Such interest will be paid semi-annually in arrears.
7. The loan will have a maturity of 14 years including 4 years' grace period on principal repayment.
8. All payments by the borrower will be made to Industrial Development Bank of India in Indian Rupees.
9. The loan is conditional upon a guarantee being provided by the Government of Kenya. The National Assembly is therefore requested to approve that the Government guarantees 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 issued under Section 3 of the Guarantee (Loans) Act (excluding those specified in the schedule to the Act) amount to K£317,730,894 with the Guarantee of Rs. 100 million equivalent to K£5,521,500 now proposed in this Sessional Paper, the aggregate will be increased to K£323,252,394 of which K£12,585,583 will fall within paragraph (a) and K£310,666,811 within paragraph (b) of Section 3 (3) of the Act.

Munyua Waiyaki

HON. DR. MUNYUA WAIYAKI
MINISTER FOR INDUSTRY

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