



The National Treasury and Planning



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**REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY
GOVERNMENT OF KENYA
FROM
1ST MAY 2019 TO 31ST AUGUST 2019**

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REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY GOVERNMENT FROM 1ST MAY 2019 TO 31ST AUGUST 2019

Section 1- Introduction

1. This report on new loans is prepared in accordance with section 31 (3) of the Public Finance Management Act, 2012 and covers the period from 1st May 2019 to 31st August 2019. Section 31(3) requires that. *“At the end of every four months, the Cabinet Secretary shall submit a report to Parliament stating the loan balances brought forward, carried down, drawings and amortizations on new loans obtained from outside Kenya or denominated in foreign currency, and such other information as may be prescribed by regulations, specifying—*
 - (a) the names of the parties to the loan;*
 - (b) the amount of the loan and the currency in which it is expressed and in which it is repayable;*
 - (c) the terms and conditions of the loan, including interest and other charges payable and the terms of repayment;*
 - (d) the amount of the loan advanced at the time the report is submitted;*
 - (e) the purpose for which the loan was used and the perceived benefits of the loan.”*

Section 2 - Details of the loan.

2. This section of the report contains six (6) new loans contracted between Government of Kenya and, commercial and multilateral creditors. Four of the loans are from a multilateral lender and two are from commercial lenders. The total value of the 6 new loans signed is the equivalent of Ksh 305,601,528,984 and three of the loans have been disbursed by the time of submitting this report. The proceeds of the loans will finance infrastructure projects in education and in addition commercial financing will be used for budget support including refinancing maturing commercial debt.

A. East Africa Skills Transformation and Regional Integration Project

i. The parties to the loan

The loan was signed on 18th December 2018 between International Development Association (IDA) as the lender and Government of Kenya as the borrower.

ii. The amount of the loan and the currency

The amount of the loan is EURO 51,500,000.00 approximately equivalent to Ksh 5,926,274,950.00 and will be repaid in EURO.

iii. The terms and conditions of the loan

The loan will be repaid in 40 semi-annual repayments each of EURO 849,750.00 amounting to Euro 33,990,000 starting 15th April 2024 through to 15th October 2043 while 20 semi-annual instalments of Euro 1,751,000.00 amounting to Euro 17,510,000 will start from 15th April, 2044 through to 15th October, 2018 . The interest rate of the loan is 1.25 percent per annum on disbursed loan amount.

iv. The purpose for the loan

The overall goal of the project is to increase access and improve the quality of Technical and Vocational Education Training (TVET) programs in selected Regional Flagship TVET Institute and to support regional integration in East Africa.

The project consists of three parts namely:

- Strengthening selected regional flagships TVET institutes for high quality skill development in priority sectors
- Creating National TVET enabling environment
- Enhancing regional collaboration on TVET and project coordination.

B. Green Zones Development Support Project II-ADB

i. The parties to the loan

The loan was signed on 23rd April 2019 between Africa Development Bank as the lenders and Government of Kenya as the borrower.

ii. The amount of the loan and the currency

The amount of the loan is Euro 5,204,000 approximately equivalent to Kshs. 593,482,894.40 and will be repaid in Euro.

iii. The terms and conditions of the loan

The loan will be repaid in 34 equal annual repayments each of Euro 153,058.8 starting 1st February 2027 through to 1st August 2043. The interest rate of the loan is EURIBOR 6 months plus a margin of 1 percent on disbursed loan amount. On off Front end fee of Eur 13,010, commitment fee of 0.25 per cent p.a. on undisbursed balance.

iv. The purpose for the loan

The project to will be implemented in fifteen counties in Kenya namely; Embu, Meru, Machakos, Tharaka-Nithi, Nyeri, Murang'a, Kirinyaga, Kiambu, Nyandarua, Nakuru, Baringo, Kericho, Bomet, Nyamira and Kisii. These counties cover four forest conservancies and three out of five Kenya's water towers including Mt. Kenya, Aberdares, and the Mau complex. The counties were selected based on levels of forest degradation, social economic and

environmental vulnerability. The project comprises three main components (i) Forest Conservation and Livelihood Support (ii) Sustainable and Inclusive Value Chains Development and (iii) Project Management and Coordination. The project will focus on increasing the national forest cover and household incomes through rehabilitation of degraded forests, improvement of forest infrastructure and community capacities and livelihoods in the target counties. The project will be implemented over a period of 6 years (2018-2024) and will be executed by the Ministry of Environment and Forestry (MoEF) through the Kenya Forest Service (KFS).

C. Green Zones Development Support Project II-ADF

v. The parties to the loan

The loan was signed on 23rd April 2019 between Africa Development Fund as the lenders and Government of Kenya as the borrower.

vi. The amount of the loan and the currency

The amount of the loan is AUA 29,690,000 approximately equivalent to Kshs. 4,230,498,410.00 and will be repaid in other major currencies.

vii. The terms and conditions of the loan

The loan will be repaid in 50 equal semi-annual repayments each of AUA 593,800 starting 1st May 2024 through to 1st November 2048. The interest rate of the loan is 1 percent on disbursed loan amount, service fee of 0.75 per cent p.a, on disbursed amount and commitment fee of 0.5 per cent p.a. on undisbursed balance.

viii. The purpose for the loan

The project to will be implemented in fifteen counties in Kenya namely; Embu, Meru, Machakos, Tharaka-Nithi, Nyeri, Murang'a, Kirinyaga, Kiambu, Nyandarua, Nakuru, Baringo, Kericho, Bomet, Nyamira and Kisii. These counties cover four forest conservancies¹ and three out of five Kenya's water towers including Mt. Kenya, Aberdares, and the Mau complex. The counties were selected based on levels of forest degradation, social economic and environmental vulnerability. The project comprises three main components (i) Forest Conservation and Livelihood Support (ii) Sustainable and Inclusive Value Chains Development and (iii) Project Management and Coordination. The project will focus on increasing the national forest cover and household incomes through rehabilitation of degraded forests, improvement of forest infrastructure and community capacities and livelihoods in the target counties. The project will be implemented over a period of 6 years (2018-2024) and will be executed by the Ministry of Environment and Forestry (MoEF) through the Kenya Forest Service (KFS).

D. International Sovereign Bond due 2027

ix. The parties to the loan

The loan was signed on 22nd May 2019 between Citigroup Global Market Europe AG acting as the agent for the lenders and Government of Kenya as the borrower.

x. The amount of the loan and the currency

The amount of the loan is USD 900,000,000.00 approximately equivalent to Ksh 93,414,960,000.00 and will be repaid in USD.

xi. The terms and conditions of the loan

The loan will be repaid in 3 equal annual repayments each of USD 300,000,000.00 starting 22nd May 2025 through to 22nd May 2027. The interest rate of the loan is 7 percent per annum on disbursed loan amount.

xii. The purpose for the loan

The proceeds were used;

- a) To finance some of development infrastructure projects;
- b) For general budgetary expenditures (in accordance with the applicable legal requirements) and
- c) To refinance part or all of its obligations outstanding under the US\$750 million 5.875 per cent notes due on 24 June 2019 (the "2014 Eurobond") and potentially some of its other debt obligations.

E. International Sovereign Bond due 2032

i. The parties to the loan

The loan was signed on 22nd May 2019 between Citigroup Global Market Europe AG as the lender and Government of Kenya as the borrower.

ii. The amount of the loan and the currency

The amount of the loan is USD 1,200,000,000.00 approximately equivalent to Ksh 124,553,280,000.00 and will be repaid in USD.

iii. The terms and conditions of the loan

The loan will be repaid in 3 equal annual repayments each of USD 400,000,000.00 starting 22nd May 2030 through to 22nd May 2032. The interest rate of the loan is 8% per annum on disbursed loan amount.

iv. The purpose for the loan

- a) To finance some of its development infrastructure projects,
- b) For general budgetary expenditures (in accordance with the applicable legal requirements) and
- c) To refinance part or all of its obligations outstanding under the US\$750 million 5.875 per cent. Notes due 24 June 2019 (the "2014 Eurobond") and potentially some of its other debt obligations.

F. Inclusive Growth and Fiscal Management Development Policy Financing

i. The parties to the loan

The loan was signed on 19th June 2019 between International Development Association as the lender and Government of Kenya as the borrower.

ii. The amount of the loan and the currency

The amount of the loan is XDR 540,300,000.00 approximately equivalent to Ksh 76,883,032,730.00 and will be repaid in USD.

iii. The terms and conditions of the loan

The loan will be repaid in 40 equal semi-annual repayments each USD equivalent of XDR 8,914,950.000 starting 15th August 2024 through to 15th February 2044. The interest rate of the loan is 1.25 percent per annum on disbursed loan amount, service fee of 0.75 per cent p.a on disbursed loan amount, commitment fee of 0.5 per cent of undisbursed loan amount.

iv. The purpose for the loan

The loan was borrowed to provide finance in support of the program whereby actions to be taken include:

- Crowding in Private Investment and Financing for the Delivery of Affordable Housing.
- Enhancing Farmers Income and Food Security
- Creating Fiscal Space to Support the Government's Inclusive Growth Agenda
- Crowding-in Private Investment and Leverage Digitization to Support the Government's Inclusive Growth Agenda.

REPORT ON NEW LOANS CONTRACTED BY THE NATIONAL GOVERNMENT FROM 1ST MAY TO 31 ST AUGUST 2019															
No.	Purpose of the Loan	Perceived benefits	Creditor	Borrower	Original loan amount	Ksh Equivalent	Loan Currency	Currency of payment	Agreement Date	Maturity Date	Balance b/f from June 2018	Disbursement during the period (Foreign currency)	Disbursement during the period in (Ksh)	Outstanding amount as at June, 2019	Terms of the Loan
A: EDUCATION															
1	East Africa Skills Transformation and Regional Integration Project	To increase the access and improve the quality of Technical and Vocational Education Training (TVET) programs in selected Regional Flagship TVET Institute and to support regional integration in East Africa.	International Development Association (IDA)	GOKE	51,500,000	5,926,274,950	EUR	EUR	18th August 2024	15th October 2056	Nil	Not Disbursed	Not Disbursed	Nil	5 Years Grace Period Interest Rate (%) 1.25 percent p.a. and Service Fee of 0.75 percent p.a. Repayment Terms 40 equal semi-annual repayments each of EURO 849,750 starting 15 th April 2024 through to 15th October 2043 and 10 equal semi-annual repayments of Euro1,751,000
B: INTERNATIONAL SOVEREIGN BOND															
2	International Sovereign Bond		Citigroup Global Market Europe AG	GOKE	900,000,000	93,414,960,000	USD	USD	22 nd May 2025	22nd May 2027	Nil	900,000,000	93,414,960,000	93,414,960,000	6 Years 7 Percent 3 equal annual repayments each of USD 300,000,000.00 starting 22nd May 2025
3	International Sovereign Bond		Citigroup Global Market Europe AG	GOKE	1,200,000,000	124,553,280,000	USD	USD	22 nd May 2030	22nd May 2032	Nil	1,200,000,000	124,553,280,000	124,553,280,000	11 Years 8 Percent 3 equal annual repayments each of USD 400,000,000.00 starting 22nd May 2030
C. PROGRAM LOAN															
4	Inclusive Growth and Fiscal Management Development Policy Financing	To provide finance in support of the program whereby actions to be taken include: Crowding in Private Investment and Financing for the Delivery of Affordable Housing; Enhancing Farmers Income and Food Security; Creating Fiscal Space to Support the Government's Inclusive Growth Agenda; Crowding-in Private Investment and Leverage Digitization to Support the Government's Inclusive Growth Agenda.	International Development Association (IDA)	GOKE	540,300,000	76,883,032,730	XDR	USD	15th August 2024	15th February 2044	Nil	540,300,000	76,883,032,730	76,883,032,730	5 years 1.25 percent 40 equal semi-annual repayments each of XDR 8,914,950,000 starting 15th August 2024
D. FORESTRY															
5	Green Zones Development Support Project II-ADB	The project will focus on increasing the national forest cover and household incomes through rehabilitation of degraded forests, improvement of forest infrastructure and community capacities and livelihoods in the target counties.	Africa Development Bank	GOKE	5,204,000	593,482,894	EURO	EURO	23rd April 2019	1st August 2043	Nil	Not Disbursed	Not Disbursed	Nil	8 years Euribor+ 1 percent margin 34 equal annual repayments each of Euro 153,058.8 starting 1st February 2027 through to 1st August 2043
6	Green Zones Development Support Project II-ADF	The project will focus on increasing the national forest cover and household incomes through rehabilitation of degraded forests, improvement of forest infrastructure and community capacities and livelihoods in the target counties.	Africa Development Fund	GOKE	29,690,000	4,230,498,410	AUA	AUA	23rd April 2019	1st November 2048	Nil	Not Disbursed	Not Disbursed	Nil	5 years 1 percent p.a plus service fee of 0.75 percent p.a. 50 equal semi-annual repayments each of AUA 593,800 starting 1st May 2024 through to 1st November 2048
Total						305,601,528,984							294,851,272,730		
Source: The National Treasury, August 2019															
Note: IDA is International Development Association															
GOKE is Government of Kenya															