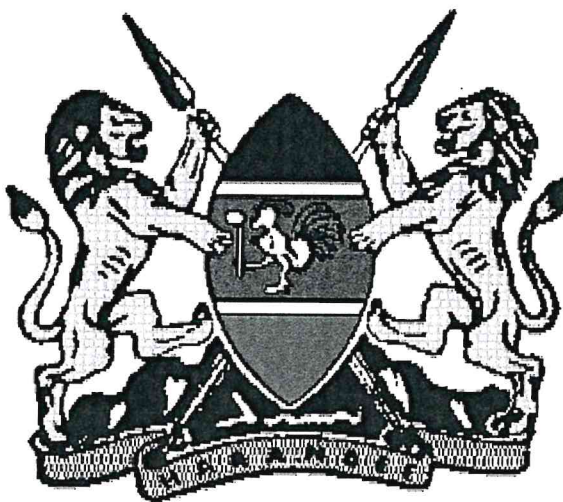


## The National Treasury and Planning



### REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY GOVERNMENT OF KENYA FROM 1<sup>ST</sup> MAY 2020 TO 31<sup>ST</sup> AUGUST 2020

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 03 DEC 2020	DAY: THURSDAY
TABLED BY:	LOM
CLERK OF THE TABLE:	Ann Musandu



# REPORT TO PARLIAMENT ON ALL NEW LOANS CONTRACTED BY GOVERNMENT FROM 1<sup>ST</sup> MAY 2020 TO 31<sup>ST</sup> AUGUST 2020

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## 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 2020 to 31st August 2020. 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.

This section of the report contains fifteen (15) new loans contracted between Government of Kenya and, bilateral and multilateral creditors. Twelve of the loans are from a multilateral lender and three is from bilateral lenders. The total value of the 15 new loans signed is equivalent to Ksh. 322,178,194,048. Four of the loans has disbursed by the time of submitting this report. The loans are as follows:

### **1. Second Inclusive Growth and Fiscal Management Development Policy Loan**

#### **i. The parties to the loan**

The loan was signed on 20<sup>th</sup> May 2020 between the International Bank for Reconstruction and Development 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 250,000,000 approximately equivalent to Ksh 27,124,275,000 and will be repaid in USD.

### **iii. The terms and conditions of the loan**

The loan will be repaid in 38 semi-annual repayments in 37 instalments of USD 6,575,000 from 15<sup>th</sup> November 2030 through to 15<sup>th</sup> November 2048 and 1 instalments of USD 6,725,000 on 15<sup>th</sup> May 2049. The interest rate of the loan is 2.08% percent per annum on disbursed loan amount. Commitment fee is 0.25% p.a. on undisbursed loan amounts. The front-end fee is 0.25%.

### **iv. The purpose for the loan**

To crowd in private investment and financing for the affordable housing, to enhance farmer incomes and food security, to create fiscal space to support the government's inclusive growth agenda and to crowd in the private investment and leverage digitization to support the government's inclusive growth agenda.

## **2. Second Inclusive Growth and Fiscal Management Development Policy Financing**

### **i. The parties to the loan**

The loan was signed on 20<sup>th</sup> May 2020 between the 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 USD 750,000,000 approximately equivalent to Ksh 81,372,825,000 and will be repaid in USD.

### **iii. The terms and conditions of the loan**

40 Principal Repayments of 12,375,000 USD, to be paid semi-annually on 15<sup>th</sup> November and 15<sup>th</sup> May, beginning in November 2025 and 10 Principal Repayments of 25,500,000 USD, to be paid semi-annually on 15<sup>th</sup> November and 15<sup>th</sup> May, beginning in November 2045. The interest rate of the loan is 1.25% percent per annum and service charge of 0.75 percent per annum on disbursed loan amount. Commitment fee is 0.5% p.a. on undisbursed loan amounts.

### **iv. The purpose for the loan**

To crowd in private investment and financing for the affordable housing, to enhance farmer incomes and food security, to create fiscal space to support the government's inclusive growth agenda and to crowd in the private investment and leverage digitization to support the government's inclusive growth agenda.

### **3. COVID-19 Emergency Response Support Program (ERSP)**

#### **i. The parties to the loan**

The loan was signed on 22<sup>nd</sup> May 2020 between the African Development Bank 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 188,000,000.00 approximately equivalent to Ksh 23,856,034,400.00 and will be repaid in EURO.

#### **iii. The terms and conditions of the loan**

34 Principal Repayments of 5,529,411.76 EURO, to be paid semi-annually on February 1st and August 1st, beginning in August 2027. Interest payable by the Government for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually. Commitment fees to be charged at 0.25% p.a. on undisbursed loan amount. Front end fee is 0.25% of the loan amount.

#### **iv. The purpose for the loan**

To support the budget specifically. The programme is to support the Government's efforts to mitigate the economic and social impacts of the COVID-19 pandemic on local businesses and households, particularly the poor. Consistent with the Government's plan to address the crisis, the operational policy objectives of the programme are (i) to strengthen the economic resilience against the pandemic; and (ii) to enhance ability by the poor and other vulnerable groups to cope with the impact of the pandemic.

### **4. Operationalization of the Kenya Mortgage Refinance Company**

#### **i. The parties to the loan**

The loan was signed on 2<sup>nd</sup> April, 2020 between the African Development Bank 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 90,000,000.00 approximately equivalent to Ksh 11,420,442,000.00 and will be repaid in EURO.



### **iii. The terms and conditions of the loan**

34 Principal Repayments of 2,647,059 EURO, to be paid semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup> beginning in May 15<sup>th</sup> 2028 through to November 15<sup>th</sup> 2044. Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually. Commitment fees to be charged at 0.25% p.a. on undisbursed loan amount. Front end fee is 0.25% of the loan amount.

### **iv. The purpose for the loan**

To assist to operationalize the Kenya Mortgage Refinance Company Limited. The Company will provide mortgage refinancing to primary mortgage lenders, and facilitate the intermediation of long-term institutional savings to finance the housing sector in Kenya.

The project will support the Company in:

- (i) Expanding lower-middle- and middle-income homeowners' access to affordable mortgage finance products;
- (ii) Supporting growth of the mortgage finance sector;
- (iii) Stabilizing the Company's financing resilience, market footprint and market reach through different type of financial support;
- (iv) Enabling the Company to start its early operations on resilient financial foundations;
- (v) Supporting the Borrower in capitalizing the Company by injecting adequate subordinated debt (tier-2 capital); and
- (vi) Supporting the Company in issuing its inaugural bonds on the local debt capital markets, introducing a new mortgage backed securities and high-quality securities to local institutional investors.

## **5. Bagamoyo–Horohoro-Lunga Lunga - Malindi Road Project Phase I**

### **i. The parties to the loan**

The loan was signed on 10<sup>th</sup> June 2020 between African Development Fund 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 AUA 46,360,000 approximately equivalent to Kshs. 6,922,985,160 and will be repaid in AUA.

### **iii. The terms and conditions of the loan**

50 Principal Repayments of 927,200 AUA, to be paid semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup>, beginning in May 15<sup>th</sup> 2025 through to November 15<sup>th</sup> 2049. The interest rate of the loan is 1.00 percent per annum and service charge of 0.75 percent per annum on disbursed loan amount. Commitment fees to be charged at 0.5% p.a. on undisbursed loan amount.

### **iv. The purpose for the loan**

To finance the construction of Bagamoyo-Horohoro -Lunga Lunga -Malindi Road Project.

## **6. Bagamoyo-Horohoro-Lunga Lunga -Malindi Road Project-Phase I**

### **i. The parties to the loan**

The loan was signed on 10<sup>th</sup> June 2020 between the Africa Development Bank 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 108,000,000 approximately equivalent to Kshs. 13,704,530,400 and will be repaid in EURO.

### **iii. The terms and conditions of the loan**

34 Principal Repayments of 3,176,471 EURO, to be paid semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup>, beginning in May 15<sup>th</sup> 2028 through to November 15<sup>th</sup> 2044. Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually. Commitment fees to be charged at 0.25% p.a. on undisbursed loan amount. Front end fee is 0.25% of the loan amount.

### **iv. The purpose for the loan**

To facilitate the construction of Bagamoyo-Horohoro-Lunga Lunga - Malindi Road Project so as to: (i) improve the road transport services between Kenya and Tanzania by reducing travel time, vehicle operating cost, decreasing traffic congestion, and improving safety in the urban section along the project road; (ii) promote trade, and regional integration; and (iii) contribute to the countries' social and economic development, poverty reduction efforts and enhancement of tourism.

## **7. Second Informal Settlements Improvement Project**

### **i. The parties to the loan**

The loan was signed on 17<sup>th</sup> August 2020 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 EURO 134,800,000 approximately equivalent to Kshs. 17,105,284,240 and will be repaid in EURO.

### **iii. The terms and conditions of the loan**

40 Principal Repayments of 2,224,200 EURO, to be paid semi-annually on 15<sup>th</sup> May and 15<sup>th</sup> October, beginning in October 15<sup>th</sup> 2025 through to April 15<sup>th</sup> 2045 and 10 Principal Repayments of 4,583,200 EURO, beginning in October 15<sup>th</sup> 2045 through to April 15<sup>th</sup> 2050. The interest rate of the loan is 1.25% percent per annum and service charge of 0.75 percent per annum on disbursed loan amount. Commitment fee is 0.5% p.a. on undisbursed loan amounts.

### **iv. The purpose for the loan**

To improve access to basic services and tenure security of residents in participating urban informal settlements and strengthen institutional capacity for slum upgrading in Kenya.

## **8. Emergency Locust Response Project**

### **i. The parties to the loan**

The loan was signed on 28<sup>th</sup> May, 2020 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 EUR 39,300,000 approximately equivalent to Kshs. 4,986,926,340 and will be repaid in Euros.

### **iii. The terms and conditions of the loan**

40 Principal Repayments of 648,450 EUR, to be paid semi-annually on May 15 and November 15, beginning in November 15<sup>th</sup> 2025 through to May 15<sup>th</sup> 2045 and 10 instalments of EUR



1,336,200 on 15<sup>th</sup> November 2049 through to 15<sup>th</sup> May 2050. The interest rate of the loan is 1.25% percent per annum and service charge of 0.75 percent per annum on disbursed loan amount. Commitment fee is 0.5% p.a. on undisbursed loan amounts.

**iv. The purpose for the loan**

To prevent and respond to the threat to livelihoods posed by the desert locust outbreak and to strengthen Kenya's system for preparedness.

**9. Supply of Medical Equipment and Associated Services to Public Healthcare Institutions in Kenya**

**i. The parties to the loan**

The loan was signed on 27<sup>th</sup> August, 2020 between Government of the French Republic 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 EUR 33,000,000 approximately equivalent to Kshs. 4,187,495,400 and will be repaid in EURO.

**iii. The terms and conditions of the loan**

56 principal payments of 589,286 EUR, to be paid semi-annually on June 30 and December 30, beginning from 30<sup>th</sup> December 2032 through to 30<sup>th</sup> June 2060. The interest rate of the loan is 0.0076 percent per annum

**iv. The purpose for the loan**

To supply of medical equipment and associated services to the Moi Teaching and Referral Hospital (MTRH) of Eldoret and 6 sub-county hospitals, as well as the supply of medical equipment to fight COVID-19.

**10. Kenol - Sagana-Marua Highway Improvement Project**

**i. The parties to the loan**

The loan was signed on 9<sup>th</sup> January 2020 between the African Development Bank (under the Africa Growing Together Fund -AGTF) 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 31,150,000 approximately equivalent to Kshs. 3,952,741,870 and will be repaid in EURO.

**iii. The terms and conditions of the loan**

34 Principal Repayments of 916,176 EURO, to be paid semi-annually on February 15<sup>th</sup> and August 15<sup>th</sup>, beginning in August 2027 through to February 2044. Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually. Commitment fees to be charged at 0.25% p.a. on undisbursed loan amount. Front end fee is 0.25% of the loan amount.

**iv. The purpose for the loan**

To finance the construction of Kenol - Sagana-Marua Highway Improvement Project that intend to: a) contribute to the social and economic development efforts by providing a more efficient and effective transport system; and b) promote trade and regional integration.

**11. Kenol - Sagana-Marua Highway Improvement Project**

**i. The parties to the loan**

The loan was signed on 9<sup>th</sup> January 2020 between the African Development Bank 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 178,020,000 approximately equivalent to Kshs. 22,589,634,276 and will be repaid in EURO.

**iii. The terms and conditions of the loan**

34 Principal Repayments of 5,235,882 EURO, to be paid semi-annually on February 15<sup>th</sup> and August 15<sup>th</sup>, beginning in February 2027 through to August 2043. Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually. Commitment fees to be charged at 0.25% p.a. on undisbursed loan amount. Front end fee is 0.25% of the loan amount.

#### **iv. The purpose for the loan**

To finance the construction of Kenol - Sagana-Marua Highway Improvement Project that intend to: a) contribute to the social and economic development efforts by providing a more efficient and effective transport system; and b) promote trade and regional integration.

### **12. Promotion of Youth Employment and Vocational Training**

#### **i. The parties to the loan**

The loan was signed on 21<sup>st</sup> February 2020 between the Government of the Federal Republic of Germany 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 EUR 20,000,000 approximately equivalent to Kshs. 2,537,876,000 and will be repaid in EURO.

#### **iii. The terms and conditions of the loan**

32 Principal Repayments of 312,000 EUR, to be paid semi-annually on June 30<sup>th</sup> and December 30<sup>th</sup>, beginning in June 2026 through to December 2041 and 32 instalments of EUR 313,000 on 30<sup>th</sup> June 2042 through to 30<sup>th</sup> December 2057. The interest rate of the loan is 0.75 percent per annum. Commitment fee to be charged at 0.25% p.a. on undisbursed loan amount.

#### **iv. The purpose for the loan**

To finance the establishment of centres of excellence for cooperative vocational and technical training, i.e. through the financing of infrastructure measures, technical equipment, learning and teaching material, information and communication technology measures and primarily to pay the foreign exchange costs.

### **13. Health Sector Policy Loan for Attainment of the Universal Health Coverage (Phase 2)**

#### **i. The parties to the loan**

The loan was signed on 27<sup>th</sup> August 2020 between the Japan International Cooperation Agency 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 80,000,000 JPY(100) approximately equivalent to Kshs. 8,215,976,000 and will be repaid in JPK.

**iii. The terms and conditions of the loan**

1 Principal Repayments of 1,951,600 JPY(100), to be paid on 20th August 2030 and 40 instalments of 1,951,210 beginning on 20th February 2031 through to 20th August 2050. The interest rate of the loan is 0.95% percent per annum on the principal disbursed and outstanding for each interest period.

**iv. The purpose for the loan**

To strengthen health financing and service delivery by facilitating priority policy actions towards the attainment of the Universal Health Coverage through policy dialogue and financial support, thereby contributing to promoting the economic stability and development efforts of Kenya.

**14. Marine Fisheries and Socio-Economic Development Project**

**i. The parties to the loan**

The loan was signed on 2<sup>nd</sup> June 2020 between the 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 EUR 89,100,000 approximately equivalent to Kshs. 11,306,237,580 and will be repaid in EURO.

**iii. The terms and conditions of the loan**

40 Principal Repayments of 2,227,500 EUR, to be paid semi-annually on February 15th and August 15th, beginning in August 2025 through to February 2045. The interest rate is the reference rate plus the fixed. Commitment fee to be charged at 0.25% p.a. on undisbursed loan amount and a front-end fee of 0.25 percent of the credit amount.

**iv. The purpose for the loan**

To improve management of priority fisheries and mariculture and increase access to complementary livelihood activities in coastal communities

## **15. Financing Under the Rapid Credit Facility**

### **i. The parties to the loan**

The loan was signed on 30<sup>th</sup> April 2020 between the International Monetary Fund 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 542,800,000 approximately equivalent to Kshs. 82,894,930,382 and will be repaid in XDR.

### **iii. The terms and conditions of the loan**

10 Principal Repayments of 54,280,000 XDR, to be paid semi-annually on May 11th and November 11th, beginning in November 2025 through to May 2030.

### **iv. The purpose for the loan**

To provide direct budget financing.





REPORT ON NEW LOANS CONTRACTED BY THE NATIONAL GOVERNMENT FROM 1ST MAY TO 1ST AUGUST 1930		
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Sl. No.	Purpose of the Loan	Perceived benefit	Creditor	Borrower	Original loan amount	Ksh Equivalent	Exchange rate	Loan Currency	Currency of payment	Agreement Date	Maturity Date	Disbursement during the period (foreign currency)	Disbursement during the period (Ksh)	Outstanding amount as at June, 2020	Grace period	Interest rate	Terms of repayment
A: ECONOMIC	1	Second Inclusive Growth and Fiscal Management Development Policy Loan	International Bank for Reconstruction and Development	GOKIE	250,000,000.00	27,124,275,000.00	108.50	USD	USD	20th May 2020	15th May 2049	250,000,000.00	27,124,275,000.00	27,124,275,000.00	10 Years	2.08 percent	36 semi-annual repayments in 37 installments of USD 6,375,000 from 15 <sup>th</sup> November 2030 through to 15 <sup>th</sup> November 2048 and 1 instalments of USD 6,725,000 on 15 <sup>th</sup> May 2049.
	2	Financing Under the Rapid Credit Facility	International Monetary Fund	GOKIE	542,800,000.00	82,894,930,381.91	152.72	XDR	XDR	30th April 2020	11th May 2050	542,800,000.00	82,894,930,381.91	82,894,930,381.91	5 Years	Nil	10 Principal Repayments of 54,280,000.00 XDR, to be paid semi-annually on May 11th and November 11th, beginning in November 2025 through to May 2030.
	3	Second Inclusive Growth and Fiscal Management Development Policy Financing	International Development Association	GOKIE	750,000,000.00	81,372,825,000.00	108.50	USD	USD	20th May 2020	15th May 2050	750,000,000.00	81,372,825,000.00	81,372,825,000.00	5 Years	The interest rate of the loan is 1.25% percent per annum and service charge of 0.75 percent per annum on disbursed loan amount	40 Principal Repayments of 12,375,000.00 USD, to be paid semi-annually on 15 <sup>th</sup> November and 15 <sup>th</sup> May, beginning in November 2025 and 10 Principal Repayments of 25,500,000.00 USD, to be paid semi-annually on 15 <sup>th</sup> November and 15 <sup>th</sup> May, beginning in November 2045.
B: HEALTH	4	COVID-19 Emergency Response Support Program (ERSP)	African Development Bank	GOKIE	188,000,000.00	23,856,034,400.00	128.89	EUR	EUR	22th May 2020	12th May 2054	188,000,000.00	23,856,034,400.00	23,856,034,400.00	7 Years	Interest payable by the Borrower for each interest period shall be at a rate equal to the floating base rate plus the lending margin, funding cost margin and the maturity premium to be paid semi-annually.	34 Principal Repayments of 5,229,411.76 EUR, to be paid semi-annually on February 1st and August 1st, beginning in August 2027.
	5	Health Sector Policy Loan for Attainment of the Universal Health Coverage (Phase 2)	Japan International Cooperation Agency	GOKIE	80,000,000.00	8,215,976,000.00	102.70	JPY	JPY	27th August 2020	20th August 2050	Not Disbursed	Not Disbursed	Nil	11 Years	The interest rate of the loan is 0.75 percent per annum on the principal disbursed and outstanding for each interest period.	11 Principal Repayments of 1,951,660.00 JPY (100), to be paid on 20th August 2030 and 40 instalments of 1,951,210.00 beginning on 20 <sup>th</sup> February 2031 through to 20 <sup>th</sup> August 2050.
C: AGRICULTURE	6	Supply of Medical Equipment and Associated Services to Public Healthcare Institutions in Kenya	Government of The French Republic	GOKIE	31,000,000.00	4,187,495,400.00	126.89	EUR	EUR	27th August, 2020	20th December 2059	Not Disbursed	Not Disbursed	Nil	12 Years	0.0067 percent per annum	56 principal payments of 589,385.71 EUR, to be paid semi-annually on June 30 and December 30, beginning from 30 <sup>th</sup> December 2032 through to 30 <sup>th</sup> June 2060
	7	Marine Fisheries and Social Economic Development Project	International Development Association	GOKIE	89,100,000.00	11,306,237,380.00	126.89	EUR	EUR	2nd June 2020	15th February 2045	Not Disbursed	Not Disbursed	Nil	5 Years	The interest rate is the reference rate plus the fixed	40 Principal Repayments of 2,227,500.00 EUR, to be paid semi-annually on February 15th and August 15th, beginning in August 2025 through to February 2045.
D: HOUSING	8	Emergency Locust Response Project	International Development Association	GOKIE	39,300,000.00	4,986,926,340.00	126.89	EUR	EUR	28th May 2020	15 <sup>th</sup> May 2050	Not Disbursed	Not Disbursed	Nil	5 Years	The interest rate of the loan is 1.25% percent per annum and service charge of 0.75 percent per annum on disbursed loan amount.	40 Principal Repayments of 648,450.00 EUR, to be paid semi-annually on May 15 and November 15, beginning in November 15 <sup>th</sup> 2025 through to May 15 <sup>th</sup> 2045 and 10 instalments of EUR 1,336,200.00 on 15 <sup>th</sup> November 2049 through to 15 <sup>th</sup> May 2050.



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