A Generous Grace Period

GPE loans will have a grace period of minimum 1 year, which may be longer in appropriate cases, in agreement with the API.

Competitive Interest Rates

Interest rates on Kenya shilling loans are based on a competitive structure and will include a margin, negotiated between the AFI and the enterprise, to cover costs and provisions. Note the possibility to lock in to a fixed rate for the entire duration of the loan or opt for a once-per-year revision.

Low Interest Rates for US dollar Loans

The US dollar loans will based on best international rates, reflecting EIB's non-profit-making character. The loans will be provided to AFIs at substantially below the Ksh rate. The AFI will negotiate a margin with the enterprise to cover its costs and provisions.

Equity Financing

The Approved Financial Institutions may also provide assistance in the form of equity. Under this arrangement, instead of providing a loan to the Final Beneficiary, the Approved Financial Institution may take equity or shares in the enterprise being assisted, with its agreement. The shares will be held in the name of the Approved Financial Institution. The AFI will therefore not require the Final Beneficiary to pay any interest. It will receive as its remuneration the portion of annual dividends which relate to the shares it acquires. Shares acquired under this facility may be held by the Approved Financial Institution for a period of up to 12 years, although probably shorter. The Final Beneficiary may negotiate pre-emption rights at the time of disposal.

An equity participation may cover up to 50% of the project cost, however, the minimum is set at ECUs 25,000 (or Kshs 1.8 million) while the maximum is ECUs 350,000 (or Kshs 25 million at the present exchange rates).

Special Loans to help launch small scale ventures

The EIB-GPE programme will also make available special loans to assist the start-up of small scale ventures.

To qualify, enterprises must have a total project investment cost of not more than ECUs 500,000 (or Kshs 35 million at the present exchange rates) and demonstrate that they are new activities.

In these cases, loans may be provided in Kenya Shillings (fixed or annually adjustable rate, as mentioned on page 2) but with special advantages:

- they may cover up to 75% of project cost (not 50% as for larger investments);
- the margin which the enterprise pays to the AFI for its handling charges is limited to 3%.
- if financial conditions so require, part of the loan may be converted at a later date into equity; the enterprise would therefore no longer pay interest since the AFI would receive instead a share of the company's dividends.

As in the case of equity financing, these facilities may be for amounts of between Kshs 1.8 million and Kshs 25 million.

Although these loans are especially favourable, the new enterprises will still be expected to demonstrate to the AFI sound business prospects.

Contact Information

For further details on the EIB-GPE loan programme, please do not hesitate to contact any of the Approved Financial Institutions listed below or the EIB-Project Management Unit, Deloitte & Touche Management Consultants Ltd., P.O. Box 40092 or Telephone No: 441344/441305, Nairobi (Contact persons: Kimani Hjororge, Robert Waweru or Angela Gatuiria).

ABN-AMRO Bank
Contact Person: Catherine Gichuru
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P.O. Box 30382
Nairobi

Development Finance Company of Kenya Ltd
Contact Person: Steve Njairu
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Kenya Commercial Bank Ltd
Contact Person: Japheth Onyango
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National Bank of Kenya Ltd
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Standard Chartered Bank Kenya Ltd
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WHAT IS THE EIB - KENYA GLOBAL PRIVATE ENTERPRISE (GPE) LOAN PROGRAMME?

The European Investment Bank (EIB) - Kenya Global Private Enterprise (GPE) programme aims at promoting economic development by encouraging and facilitating new investments and growth of private enterprises in key sectors of the economy. The programme is financed by a loan of approximately Kshs 2.5 billion (35 million ECUs) to the Government of Kenya from EIB - the European Union’s development bank - on advantageous terms. Out of this amount, 20 million ECUs will be available in Kenya shillings and will be used to provide loans or equity for small and medium size ventures. The balance of ECUs 15 million shall be provided in loans in US dollars for small and medium size ventures engaged in foreign exchange generating activities. The programme includes a special financing facility to assist the start-up of small-scale enterprises.

WHO IS ELIGIBLE TO QUALIFY FOR EIB FUNDS?

The EIB-GPE loan Programme is targeted to assist the financing of small and medium-sized private sector investments in productive activities which help to increase Kenya’s foreign exchange earnings or develop competitive enterprises serving the domestic market. These include new projects requiring expansion, modernisation, restructuring and diversification of existing activities. Any business may qualify for assistance so long as it is in the following eligible sectors:

- Agro-industry;
- Manufacturing;
- Horticulture/Flower growing;
- Fishing/fish processing;
- Mining/quarrying; and
- Tourism.

Projects which are engaged in service activities related to the above sectors of the economy will also be eligible for assistance. There is no restriction on the geographical location of the businesses which qualify for assistance and projects could be located both in urban and rural areas of Kenya.

HOW DOES THE PROGRAMME WORK?

The EIB-GPE programme makes funds available through the following nine Approved Financial Institutions (AFIs) which have been appointed by the Central Bank of Kenya.

ABN-AMRO Bank (ABN)
Barclays Bank of Kenya (BBK)
Development Finance Company of Kenya (DFCK)
Industrial Development Bank (IDB)
Kenya Commercial Bank (KCB)
Kenya Equity Management (KEM)
National Bank of Kenya (NBK)
Standard Chartered Bank of Kenya (SCB)
East African Development Bank (EADB)

These approved financial institutions in turn provide financial assistance, either through loans or equity to Kenyan businessmen and women. The Approved Financial Institutions will appraise each investment finance request to ensure it presents reasonable prospects of financial, economic and technical viability. They will also examine the borrower’s creditworthiness, to their satisfaction. Management support for the scheme is provided by Deloitte & Touche Management Consultants Limited, Nairobi.

DENOMINATION OF LOANS

The GPE loans are available in both US dollars and Kenya shillings. The borrower has the option of taking a loan either in US dollars or in Kenya shillings, or a combination of both currencies as appropriate for the financing needs of a particular project.

Kenya Shilling Loans

Kenya shilling loans are targeted to projects which mainly serve the domestic market. These loans shall have either fixed or annually adjustable interest rates. If a borrower opts for a fixed interest rate, the rate will remain constant through the duration of his or her loan, irrespective of any changes in the movement of the general interest rates. However, with adjustable rates, the Approved Financial Institution will adjust the interest rate, on a particular loan, on an annual basis, to reflect the conditions ruling at the annual fixing date.

US Dollar Loans

The US dollar loans will bear low interest rates, and firms which are involved in export / foreign exchange-earning businesses will be expected to utilise this facility in order to take advantage of these low interest rates. US dollar loans will only be available at fixed interest rates. Examples of businesses which should be financed through this facility include horticultural/fioricultural projects, hotel/tourism establishments and manufacturing projects producing goods for the export market.

Loan Limits

All loans, whether in US dollars or in Kenya currency shall finance up to 50% of the total project cost. The loans will be for a minimum of Kshs 3.6 million and a maximum of Kshs 107 million except in small start-up ventures where EIB shall finance up to 75% of the project cost.

The project cost may include land, buildings and their construction, equipment, plant, furnishings, vehicles, services (e.g. studies, professional fees associated with the project), a reasonable allocation for working capital and contingencies.

- The minimum loan size is ECUs 50,000 and the maximum is ECUs 1.5 million. The limits in Kenya shilling terms will therefore fluctuate with changes in the exchange rates. Currently 1 ECU = Kshs 71 (approximately).

ADVANTAGES OF THE EIB - GPE LOAN

Long-Term Loans

The EIB-GPE loans are long-term loans. Loans are available for a minimum of 6 years and, with the agreement of the AFI, may be for longer periods. The long-term nature of the credit facilitates easy repayment of loans.