

EMBASSY OF THE
UNITED STATES OF AMERICA

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF KENYA
REGARDING THE CONSOLIDATION AND RESCHEDULING OF
CERTAIN DEBTS OWED TO, GUARANTEED BY, OR INSURED BY
THE UNITED STATES GOVERNMENT AND ITS AGENCIES

The Government of the United States of America (the "United States") and the Government of the Republic of Kenya ("Kenya") agree as follows:

ARTICLE I

Application of the Agreement

1. In accordance with the recommendations contained in the Agreed Minute on the Consolidation of the Debt of the Republic of Kenya, signed at Paris on January 15, 2004, (hereinafter referred to as the "Minute") by representatives of certain nations, including the United States (hereinafter referred to as the "Participating Creditor Countries"), and by the representative of Kenya, the United States and Kenya agree to consolidate and reschedule certain Kenyan payments with respect to debts which are owed to, guaranteed by, or insured by the United States Government or its Agencies, as set forth in this Agreement. Representatives from the Governments of Austria, Finland, Norway, Spain, Sweden, and Switzerland observed the negotiation (hereinafter referred to as the "Observer Creditor Countries").

2. With respect to amounts due to the Department of Defense ("DoD"), the Export-Import Bank of the United States ("Ex-Im"), and the United States Agency for International Development ("USAID"), these agencies will notify Kenya of the amounts rescheduled hereunder, of the principal repayment schedule of those amounts, and of the appropriate interest rates.

ARTICLE II

Definitions

1. "Agencies" means DoD, Ex-Im, and USAID.
2. "Contracts" means those agreements or other financial arrangements that have maturities under:
 - a. Loans from the United States or its Agencies, excluding USAID direct loans, having original maturities of more than one year and which were extended to Kenya or to its public sector, or covered by their respective guaranties, pursuant to an agreement concluded before December 31, 1991.
 - b. Commercial credits guaranteed or insured by the United States or its Agencies, having original maturities of more than one year, and which were extended to Kenya or its public sector, or covered by their respective guaranties,

pursuant to an agreement or other financial arrangement concluded before December 31, 1991.

- c. USAID direct loans having original maturities of more than one year and which were extended to Kenya or to its public sector, or covered by their respective guarantees, pursuant to an agreement concluded before December 31, 1991.
- d. The bilateral debt rescheduling agreement between the United States and Kenya signed on February 24, 2001 ("2001 Rescheduling Agreement"), excluding the sections of that Agreement applicable to the USAID direct loans rescheduled thereunder.
- e. The sections of the Rescheduling Agreement applicable to the USAID direct loans rescheduled thereunder.

Debt service due as a result of debts described above and effected through special payment mechanisms or other external accounts is covered by this Agreement.

A table listing the relevant Contracts to be included under this rescheduling is attached hereto as Annex A.

3. "Consolidation Period" means the period from (i) January 1, 2004 through December 31, 2004, inclusive, if the conditions of Article IV, subparagraph 1 of this Agreement are satisfied; (ii) January 1, 2004 through December 31, 2005, inclusive, if the conditions set forth in Article IV, subparagraph (2) of this Agreement are satisfied; and (iii) January 1, 2004 through December 31, 2006, inclusive, if the conditions set forth in Article IV, subparagraph 3 of this Agreement are satisfied.

4. "Consolidated Official Development Assistance (ODA) Debt" means 100 percent of the sum of unpaid principal and interest falling due during the Consolidation Period with respect to the Contracts specified in Paragraph 2(c) of this Article.

5. "Consolidated ODA Previously Rescheduled Debt (PRD)" means (a) 100 percent of the sum of unpaid principal and interest (excluding Late Interest Charges) falling due between January 1, 2004 and December 31, 2004 with respect to the Contract specified in Paragraph 2(e) of this Article, if the conditions set forth in Article IV, paragraph 1 of this Agreement are satisfied; and (b) 100 percent of the sum of unpaid principal and 50% of the sum of unpaid interest (excluding Late Interest Charges) falling due between January 1, 2005 and December 31,

2005 under the Contract specified in subparagraphs 2(e) of this Article, if the conditions set forth in Article IV, paragraphs 1 and 2 of this Agreement are satisfied.

6. "Consolidated ODA Arrears" means 60 percent of the sum of principal and interest, excluding Late Interest Charges, with respect to the Contracts specified in Paragraph 2(c) of this Article, which was due and unpaid as of December 31, 2003.

7. "Consolidated Non-Official Development Assistance ("Non-ODA") Debt" means 100 percent of the sum of unpaid principal and interest falling due during the Consolidation Period with respect to the Contracts specified in Paragraph 2(a) and (b) of this Article.

8. "Consolidated Non-ODA Previously Rescheduled Debt (PRD)" means (a) 100 percent of the sum of unpaid principal and interest (excluding Late Interest Charges) falling due between January 1, 2004 and December 31, 2004 with respect to the Contract specified in Paragraph 2(d) of this Article, if the conditions set forth in Article IV, paragraph 1 of this Agreement are satisfied; and (b) 100 percent of the sum of unpaid principal and 50% of the sum of unpaid interest (excluding Late Interest Charges) falling due between January 1, 2005 and December 31, 2005 under the Contract specified in subparagraph 2(d) of this Article, if the conditions set forth in Article IV, paragraphs 1 and 2 of this Agreement are satisfied.

9. "Consolidated Non-ODA Arrears" means 60 percent of the sum of principal and interest, excluding Late Interest Charges, with respect to the Contracts specified in Paragraphs 2(a) and 2(b) of this Article, which was due and unpaid as of December 31, 2003.

10. "Late Interest Charges" means interest payable on due but unpaid amounts of principal and interest, such charges having accrued through December 31, 2003, inclusive in accordance with the terms of the Contracts

11. "Interest" means interest payable on Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, Consolidated Non-ODA Arrears, Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated ODA Arrears in accordance with the terms of this Agreement. Interest shall accrue at the rates set forth in this Agreement beginning on the due dates specified in each of the Contracts for the payments of principal and interest comprising the

Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, Consolidated Non-ODA Arrears, Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated ODA Arrears.

12. "Additional Interest" means interest accruing at the rates set forth in this Agreement and the Implementing Agreements on due but unpaid installments of Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, Consolidated Non-ODA Arrears, Consolidated ODA Debt, Consolidated ODA PRD, Consolidated ODA Arrears, and Interest beginning on the respective due dates for such installments as established by this Agreement and continuing to accrue until such amounts are repaid in full.

ARTICLE III

Terms and Conditions of Payment

1. Kenya agrees to repay the Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated ODA Arrears in United States dollars in accordance with the following terms and conditions:

(a) The Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated ODA Arrears shall be repaid in twenty (20) equal and consecutive semi-annual installments payable on January 1 and July 1 of each year, commencing on January 1, 2016 and ending on July 1, 2025.

(b) The rate of Interest on Consolidated ODA Debt, Consolidated ODA PRD, Consolidated ODA Arrears, and Additional Interest on Consolidated ODA Debt, Consolidated ODA PRD Debt, and Consolidated ODA Arrears shall be as follows for the United States and its Agencies:

(i) For USAID direct loans, the rate of Interest shall be fixed according to the weighted average at approximately 3.00 percent per year.

(c) Interest with respect to Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated ODA Arrears will be paid on July 1 and January 1 of each year, commencing on July 1, 2004.

A table summarizing the amount of Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated ODA Arrears owed to the United States and its Agencies if the Consolidation Period

covers the period from January 1, 2004 to December 31, 2004 is attached hereto as Annex B1. A table summarizing the amount of Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated Arrears owed to the United States and its Agencies if the Consolidation Period covers the period from January 1, 2004 to December 31, 2005 is attached hereto as Annex B2. A table summarizing the amount of Consolidated ODA Debt, Consolidated ODA PRD, and Consolidated Arrears owed to the United States and its Agencies if the Consolidation Period covers the period from January 1, 2004 to December 31, 2006 is attached hereto as Annex B3.

2. Kenya agrees to repay the Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears in United States dollars in accordance with the following terms and conditions:

(a) The Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears shall be repaid in twenty (20) consecutive semi-annual installments payable on January 1 and July 1 of each year according to the following schedule:

1.00% on January 1, 2011;	1.15% on July 1, 2011;
1.32% on January 1, 2012;	1.51% on July 1, 2012;
1.74% on January 1, 2013;	1.99% on July 1, 2013;
2.29% on January 1, 2014;	2.63% on July 1, 2014;
3.02% on January 1, 2015;	3.46% on July 1, 2015;
3.98% on January 1, 2016;	4.56% on July 1, 2016;
5.24% on January 1, 2017;	6.02% on July 1, 2017;
6.91% on January 1, 2018;	7.93% on July 1, 2018;
9.10% on January 1, 2019;	10.45% on July 1, 2019;
11.99% on January 1, 2020;	13.71% on July 1, 2020.

(b) The rate of Interest on Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, Consolidated Non-ODA Arrears and Additional Interest on Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears shall be as follows for the United States and its Agencies:

(i) For Ex-Im Bank debt, the rate of Interest shall be the per annum rate for each Interest Period determined by Ex-Im Bank to be one-half of one percent (1/2 of 1%) over the interest rate applicable to U.S. Treasury six-month borrowings which is in effect on the first day of the Interest Period (the Interest Period is defined in Annex E). For the Interest Period January

1, 2004 thru June 30, 2004, the semi-annual rate shall be 1.825 percent. For each subsequent Interest Period, Ex-Im Bank shall notify Kenya of the applicable rate for such period.

(ii) For DoD, the rate shall be fixed based on the U.S. government cost of borrowing for 16.5 year maturity that is in effect at the entry into force of this Agreement, plus one-eighth of one percent. As of April 2004, the interest rate is approximately 4.625 percent.

(iii) For the USAID Housing Guaranty program, the rate shall be fixed based on the U.S. government cost of borrowing for a comparable year maturity which is in effect at the entry into force of this Agreement, plus one-eighth of one percent. As of April 2004, the interest rate is approximately 4.75 percent.

(c) Interest with respect to Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears will be paid on July 1 and January 1 of each year, commencing on July 1, 2004.

A table summarizing the amount of Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears owed to the United States and its Agencies if the Consolidation Period covers the period from January 1, 2004 to December 31, 2004 is attached hereto as Annex C1. A table summarizing the amount of Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears owed to the United States and its Agencies if the Consolidation Period covers the period from January 1, 2004 to December 31, 2005 is attached hereto as Annex C2. A table summarizing the amount of Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears owed to the United States and its Agencies if the Consolidation Period covers the period from January 1, 2004 to December 31, 2006 is attached hereto as Annex C3.

3. Consistent with Article V, Paragraph 2 of this Agreement, the amounts of Consolidated ODA Debt, Consolidated ODA PRD, Consolidated ODA Arrears, Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, and Consolidated Non-ODA Arrears may be modified by mutual consent.

ARTICLE IV

General Provisions

1. The Consolidation Period is the period from January 1, 2004 to December 31, 2004, inclusive, provided that Kenya continues to have a Poverty Reduction and Growth Facility (PRGF) arrangement with the International Monetary Fund (IMF).
2. The Consolidation Period shall be extended to cover the period from January 1, 2005 to December 31, 2005, inclusive, if:
 - a) the Executive Board of the IMF has completed the 2nd review under Kenya's PRGF before December 31, 2004; (b) Kenya has made all payments due under this Agreement and under any other bilateral agreements with Participating and Observer Creditor Countries referred to in the Agreed Minute. The longer Consolidation Period will be effective on the date the Chairman of the Paris Club notifies Kenya that the conditions set forth in sections (a) and (b) of this paragraph have been met. If the above conditions are not met, all amounts, which are due and payable under the Contracts after December 31, 2004, shall be payable according to the terms of such Contracts.
3. The Consolidation Period shall be extended to cover the period from January 1, 2006 to December 31, 2006, inclusive, if:
 - a) The Executive Board of the IMF has completed the 4th review under Kenya's PRGF before December 31, 2005; (b) Kenya has made all payments due under this Agreement and under any other bilateral agreements with Participating and Observer Creditor Countries referred to in the Minute; and (c) Participating Creditor Countries consider that the Government of the Republic of Kenya has satisfactorily implemented Paragraph 4 of this Article as regards comparability of treatment among all external creditors. The longer Consolidation Period will be effective on the date the Chairman of the Paris Club notifies Kenya that the conditions set forth in sections (a), (b), and (c) of this paragraph have been met. If the above conditions are not met, all amounts, which are due and payable under the Contracts after December 31, 2005, shall be payable according to the terms of such Contracts.
4. Kenya will seek to secure from all external creditors not participating in the Minute, but including banks and suppliers, rescheduling or refinancing arrangements on terms comparable to those set forth in the Minute for credits of comparable maturities and legal nature committing to avoid treatment more favorable than that accorded to the Participating Creditor

Countries under the Minute, as more specifically defined in the Minute.

5. Kenya agrees to pay all Consolidated ODA Debt, Consolidated ODA PRD, Consolidated ODA Arrears, Consolidated Non-ODA Debt, Consolidated Non-ODA PRD, Consolidated Non-ODA Arrears, Interest, and Additional Interest, if any, to the United States and its Agencies, in United States dollars, without any deductions for taxes, fees or other charges or any other costs accruing inside or outside Kenya.

6. Kenya agrees to pay all debt service due and not paid as of January 15, 2004, which is owed to, guaranteed by, or insured by, the United States or its Agencies, but which is not covered by this Agreement, as soon as possible but no later than July 1, 2004. Late Interest Charges will be charged on these amounts in accordance with the terms of the respective agreements.

7. Kenya agrees to continue to allow unrestricted and immediate access to the foreign exchange required for servicing private sector debts owed to, guaranteed by, or insured by the United States and its Agencies.

8. All terms of the Contracts remain in full force and effect, except as they may be modified by this Agreement.

9. With respect to amounts owing to DoD under this Agreement, Kenya (referred to as the "Borrower" in Annex D hereto) and DoD agree to the additional terms and conditions set forth in Annex D.

10. With respect to amounts owing to Ex-Im Bank under this Agreement, Kenya (referred to as the "Government" in Annex E hereto) agrees to the additional terms and conditions set forth in Annex E.

11. With respect to amounts owing to USAID under this Agreement, Kenya (referred to as the "Government" in Annex F hereto) agrees to the additional terms and conditions set forth in Annex F.

ARTICLE V

Suspension or Termination

1. The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Kenya. In particular, the United States may terminate all or part of this Agreement if the Participating Creditor Countries determine that Kenya has not met its obligations under the Minute, including that of comparable treatment. If the United States terminates all or part of this Agreement, all debts cancelled under this Agreement shall be due and payable immediately according to terms of the original Contracts, following notification to Kenya of termination of the Agreement.

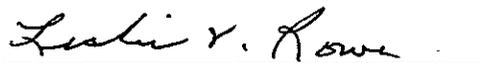
2. This Agreement may be amended or modified by mutual consent of the United States and Kenya.

ARTICLE VI

Entry Into Force

This Agreement shall enter into force following signature of the Agreement and receipt by Kenya of written notice from the United States that all necessary U.S. domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Nairobi, Kenya, in the English language, this 11th day of May, 2004.



Leslie V. Rowe
Chargé d'Affaires

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA



Honorable David Mwiraria
Minister for Finance

FOR THE GOVERNMENT OF THE
REPUBLIC OF KENYA

Annex A
Contracts Subject to Rescheduling

Department of Defense
Loan Number

KE-017D

Export-Import Bank
Loan Number

R-256

United States Agency for International Development
Housing Guaranty Program

615-HG-003A01
 615-HG-003A02
 615-HG-005A01
 615-HG-006A01
 615-HG-006B01
 615-HG-006C01
 615-HR-002

United States Agency for International Development
Direct Loans

615-T-020
 615-T-020A
 615-T-021
 615-T-021A
 615-X-026R

Annex B1
Summary of Consolidated ODA Debt, Consolidated ODA PRD and
Consolidated ODA Arrears
 (thousands of US\$)

USAID	\$2,020
TOTAL	\$2,020

Annex B2
Summary of Consolidated ODA Debt, Consolidated ODA PRD and
Consolidated ODA Arrears

(thousands of US\$)

USAID	\$3,900
TOTAL	\$3,900

Annex B3

Summary of Consolidated ODA Debt, Consolidated ODA PRD and
Consolidated ODA Arrears
(thousands of US\$)

USAID	\$5,780
TOTAL	\$5,780

Annex C1

Summary of Consolidated Non-ODA Debt, Consolidated Non-ODA PRD
and Consolidated Non-ODA Arrears
(thousands of US\$)

DoD	\$ 29
Ex-Im	\$ 371
HG	\$5,410
TOTAL	\$5,810

Annex C2

Summary of Consolidated Non-ODA Debt, Consolidated Non-ODA PRD
and Consolidated Non-ODA Arrears
(thousands of US\$)

DoD	\$ 55
Ex-Im	\$ 1,073
HG	\$10,376
TOTAL	\$11,504

Annex C3

Summary of Consolidated Non-ODA Debt, Consolidated Non-ODA PRD
and Consolidated Non-ODA Arrears
(thousands of US\$)

DoD	\$ 55
-----	-------

Ex-Im	\$ 1,703
HG	\$15,099
TOTAL	\$16,857