KENYA AIRWAYS GETS US$240 MILLION IN LOANS FROM GOVERNMENT, AFREXIMBANK

News / Finance

Kenya has provided a 4.2 billion shilling (US$40 million) loan to loss-making Kenya Airways , the country's finance minister said, while African Export-Import Bank (Afreximbank) has approved a US$200 million bridging loan for the airline.

The money is needed to support Kenya's national carrier, which has not made a profit in three years because the country's tourism industry has suffered fallout from a number of Islamist militant attacks.

The airline, part-owned by Air France-KLM, also has rising debts from new plane purchases and its losses for the year to March increased to 29.7 billion shillings from a 4.86 billion shillings a year earlier.

Kenya has estimated the carrier will need a US$500-600 million bailout but a precise figure will depend on a turnaround plan being prepared by McKinsey and Seabury consultants.

Finance minister Henry Rotich said Kenya's government, which holds a 29.8 percent stake, had

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provided the 4.2 billion shilling loan to help the airline meet its operational requirements and pay off suppliers of fuel and other services.

The company told investors in July it had sought the US$200 million loan from Cairo-based Afreximbank.

"This short term facility will be received in two tranches of US$100 million each," Finance minister Henry Rotich told a committee at the Kenyan senate on Tuesday.

"Once the long-term capital requirements are firmed up based on the approved turnaround plan, the government in consultation with other shareholders will review its options, including equity injection and/or loan guarantees," Rotich said.

Until its problems of the past few years, the carrier was regarded as a model of successful privatisation after its listing in 1996 turned it into a profitable company.

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