

KENYA GOVERNMENT GUARANTEE FOR A LOAN TO NAIROBI CITY COUNCILNAIROBI WATER SUPPLY PROJECT

1. In accordance with the provision of the Guarantee (Loans) Act, 1966, CAP.461, the following information is laid before the National Assembly relating to a Guarantee which the Government proposes to give to the International Bank for Reconstruction and Development (I.B.R.D.) in respect of a loan to the Nairobi City Council not exceeding U.S. dollars 8,300,000 (K£ 2,980,000) for the construction of Chania Water Project. The giving of this Guarantee will bring the Government's contingent liability under Guarantee given under this Act to a total of K£19,562,255.

2. The Project consists of expansion and improvements of the water supply and distribution system of Nairobi. The project includes:

- (a) The construction of a river intake, raw water pumping station, and ancillary works to enable pumping up to 10 million imperial gallons per day from the Chania River;
- (b) The provision and installation of raw water pumps, power facilities and pumping main, construction of treatment works and ancillary buildings at Ngethu and the provision and installation of treatment plant equipment and instrumentation to provide a plant capacity adequate for average flows of at least 8 million imperial gallons per day;
- (c) The provision and installation of a transmission main from the treatment works to a terminal

terminal reservoir; and

- (d) The provision and installation of new distribution mains and the purchase of water meters.

The Project is expected to be completed by July 1, 1974.

3. The total value of the Project will be K£5,000,000. It is to be noted that it is only the Foreign Exchange Content of the project which is to be financed from the City Council's own resources. The proposed basis of financing is therefore as follows:-

I.B.R.D. Loan - Dollars 8,300,000	K£2,980,000
Nairobi City Council's contribution	K£2,020,000
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<u>TOTAL</u>	K£5,000,000
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The general designs, plans, specifications and the lay-out have been prepared and have been approved by the International Bank for Reconstruction and Development.

4. This loan will be secured by a charge on the rates and revenues of the City Council, and, in view of the considerable demand for the expansion of water in Nairobi City, the Government considers the risk of default on the part of Nairobi City Council in meeting its loan obligations to be small.

5. This loan will bear an interest rate of 7% or such other ruling rate which will be applicable at the time of signing the Agreement. The loan will be raised by a series of Drawings to be made between 1st January, 1970 and the last drawing will be made on 31st January, 1975. The International Bank for Reconstruction and Development has agreed to give a moratorium of five years on repayment of principal. The first repayment will be due on 1st August, 1975 and the last repayment will be on 1st August, 1990.

The repayment will therefore be made over a 20-year period.

6. The House is accordingly asked to approve the proposal that the Government should guarantee to the I.B.R.D. the repayment of the loan for Nairobi Water Supply as detailed above.

MINISTRY OF LOCAL GOVERNMENT

N A I R O B I.

23rd July, 1970.

