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PAPER NO. 7
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REPUBLIC OF KENYA

MINISTRY OF FINANCE

SESSIONAL PAPER NO.7..... OF 1990

Kenya Government Guarantee of a Loan to Kenya Pipeline

Company Limited by Export Development Corporation of Canada

1. In accordance with the provisions of the Guarantee (Loans) Act (Cap 461) the following information is laid before the National Assembly relating to a guarantee by the Government in respect of an additional loan of US \$ 2,735,580 equivalent to Kf 3,214,310 granted by the Export Development Corporation of Canada. This loan is addition to one which was granted in favour of Kenya Pipeline Company Limited by EDC and for which approval for guarantee was given by the National Assembly on December 6, 1989 pursuant to Sessional Paper No. 13 of 1989, for the financing of a contract between Kenya Pipeline Company and Lavalin International Inc. for the acquisition of Canadian goods and services.
2. Kenya Pipeline Company Limited, a wholly owned Government Company, is undertaking the extension of the Mombasa-Nairobi white petroleum products pipeline from Nairobi through Nakuru biforking at Sinendet and initially terminating at Eldoret and Kisumu and thereafter at Malaba. This extended pipeline will transport gasolines, kerosene and gasoil required for the Western Kenya market and for export to neighbouring countries. The products



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will be pumped through four booster stations with terminals at Nakuru, Eldoret and Kisumu and connected by a pipeline submerged under the ground.

3. Transportation of bulk liquid petroleum products by pipeline has been proven as the most efficient means available. This has been confirmed by the performance of the existing pipeline from Mombasa to Nairobi and by feasibility studies undertaken by consultants and detailed appraisals made by the World Bank.
4. The completion of the project will enable Kenya Pipeline Company Limited to pump bulk petroleum products to two strategic terminals in Western Kenya which will not only result in savings in transportation costs but will also place Kenya in a position to easily supply the northern parts of Tanzania and Uganda as well as Rwanda and Burundi.
5. The loan will carry a maturity of thirteen years, i.e. ten years repayment period and three years of grace period. Interest on the loan will be payable at the rate of 8.3 per cent per annum.
6. As at October 4th 1990 Kenya Pipeline Company Limited had outstanding foreign loans of K£ 19,433,909 at the rate of exchange of KShs.23.34 to US dollar.



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The current total contingent liability of the Kenya Government in respect of guarantees given under clause 3 (3) of the Guarantee (Loans) Act other than those specified in the schedule to the Act amounts to K£ 1,223,437,886 with the guarantee of US \$ 2,735,580 equivalent to K£ 3,214,310 proposed in this Sessional Paper, the aggregate will be increased to K£ 1,226,652,196 of which K£ 83,489,499 fall within paragraph (a) and K£ 1,143,162,697 within paragraph (b) of Section 3 (3) of the Act.

A large, stylized handwritten signature in black ink, appearing to read 'G. Saitoti'.

Hon. Prof. G. Saitoti

VICE PRESIDENT AND MINISTER FOR FINANCE