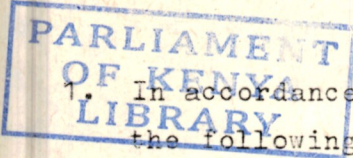


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KENYA GOVERNMENT GUARANTEE OF MONEYS LENT TO THE KENYA POWER COMPANY LIMITED BY COMMONWEALTH DEVELOPMENT CORPORATION TO FINANCE THE CONSTRUCTION OF OLKARIA GEOTHERMAL POWER EXPANSION PROJECT

THE GUARANTEE (LOANS) ACT, CAP. 461



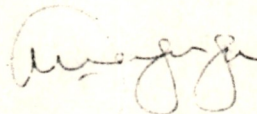
1. In accordance with the Provisions of the Guarantee (Loans) Act (Cap 461) the following information is laid before the National Assembly for consideration and approval.

2. The Government proposes to guarantee a loan of Sterling Pounds Five million Nine Hundred Thousand (Stg £5,900,000) which is equivalent to Kenya Shillings One Hundred and Nineteen million Seven Hundred and Seventy thousand (KSh119,770,000) to be made to the Kenya Power Company Limited by Commonwealth Development Corporation of the United Kingdom.
3. The loan will bear interest at the rate of 10.5 per cent per annum and will be repayable over a period of ten years with five year moratorium on repayments. The borrower (KPC) will also pay a commitment fee of 0.75% on the total amount of the loan and a further nominal negotiation fee.
4. This loan is required to finance the expansion of the generating station at Olkaria Geothermal Power Station which is being developed by the Kenya Power Company Limited. The Kenya Power Company is a wholly Government owned Parastatal. The project consists of the following parts:-
 - a) Installation of a third 15-MW steam turbine-driven generator at the Olkaria Geothermal Plant, together with all auxiliaries and ancillary electrical and mechanical equipment, installation of an extension to the cooling tower and ancillary works, and expansion of the switching station and the wellhead steam gathering system.
 - b) Construction of a hard-surfaced road from the operators' house to the generating station.
 - c) Construction of additional housing and expansion of the water supply to the generating station and the drilling sites.

- d) Review of all existing data on the geothermal field at Olkaria in order to reassess the potential for further geothermal development and to provide guidance for the location of additional production wells.
- e) Carrying out of a study to define the least cost medium to long-term development programme for the power sector and of a detailed feasibility study of the most urgent power project in said development programme.

The Government attaches great importance to the development of non-conventional sources of energy and this project is an important step towards that objective.

5. The loan is conditional upon a guarantee being provided by the Government. The Government therefore requests the National Assembly to approve that the Government may guarantee the repayment of the loan referred to above.
6. The current total contingent liability of the Government of Kenya in respect of guarantees given under section 3 (3) of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount of K£380,509,582. K£327,424,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and K£53,082,582 is in respect of covenants expressed in Kenya currency as per paragraph (a) of section 3 (3) of the Act.



A. K. Magugu M.P.
Minister for Finance

