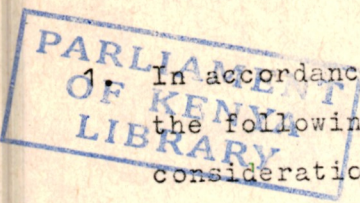


PAPERS LAID		33
Asst. IV		1
Asst. III	1	2
Binding		2

KENYA GOVERNMENT GUARANTEE OF MONEYS LENT TO THE KENYA POWER COMPANY LIMITED BY THE EUROPEAN INVESTMENT BANK 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 Nine million Ecus (9,000,000 Ecus) which is equivalent to Kenya Shillings one hundred and six million five hundred thousand (Ks106,500,000/-) to be made to The Kenya Power Company Limited by European Investment Bank whose Head Office is at Luxembourg.

3. The loan will bear interest at the rate of eight per cent per annum (8% p.a.) on the amount for the time being outstanding and will be repayable in twenty-two (22) half-yearly instalments commencing from May, 1987.

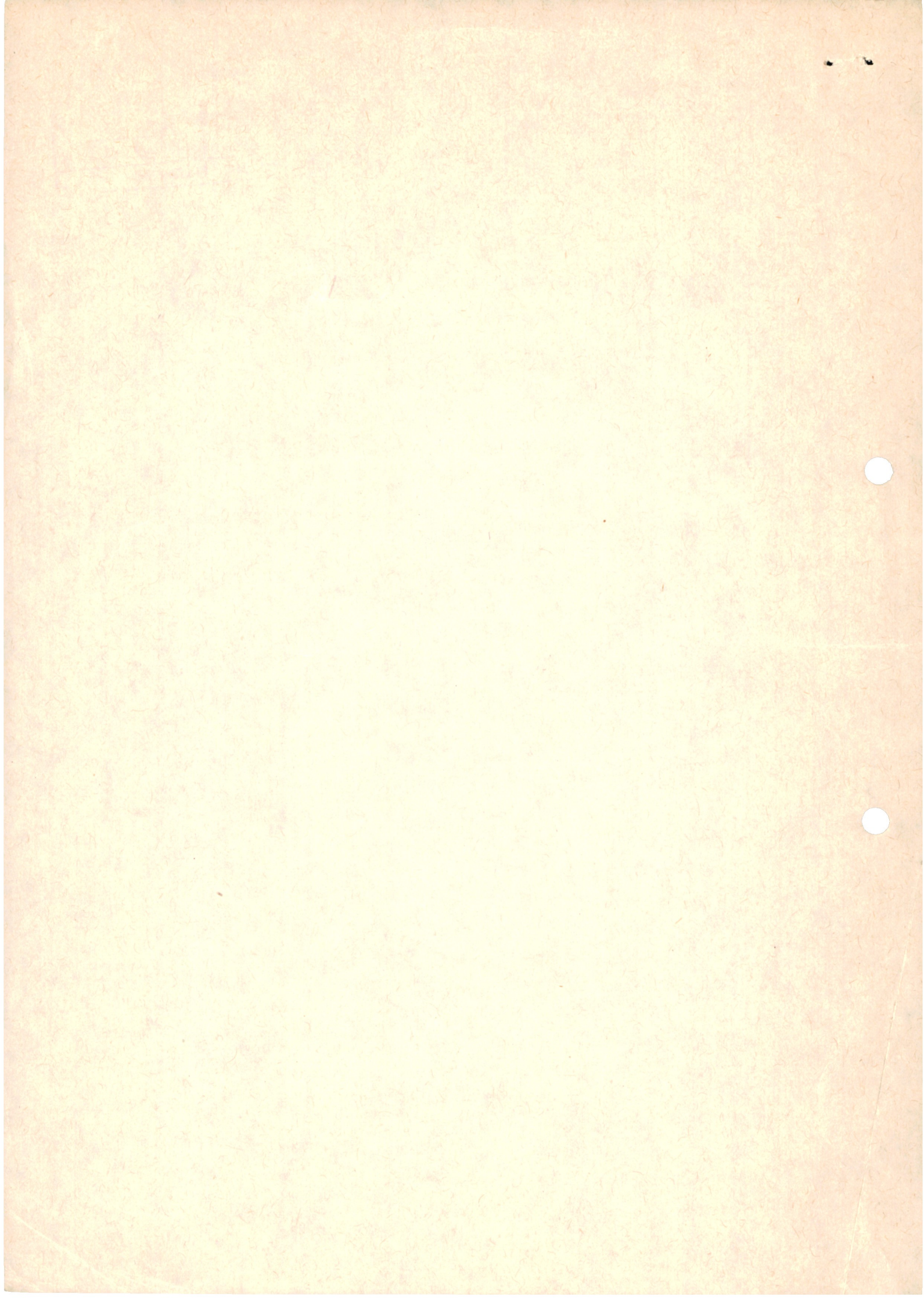
The borrower (KPC) will pay a further commitment commission at the rate of one per cent per annum (1% p.a.) on the amount of the loan which has not be disbursed, annulled or cancelled, calculated with effect from sixty (60) days from the date of signing the finance contract.

The borrower (KPC) will also pay all legal costs and other expenses incurred by the bank in connection with the execution or implementation of the finance contract.

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) Mechanical and electrical engineering work comprising a turbo-generator of 15 MW, 11kV single cylinder type complete with excitation,

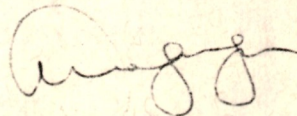
b) steam condenser of the jet-type situated under the turbine with gas extraction system of 3 ejectors (1 stand-by),



- 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

