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Sessional Paper No.11.....of 19.89.

Kenya Government guarantee of a loan to Kenya Pipeline Company Limited
by Export Import Bank of Japan

The Guarantee (Loans) Act (capt 461)

In accordance with the provision 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 a loan of US \$ 58,355,640..... equivalent to Kf 63,695,181.05..... granted by the Export Import Bank of Japan.

The 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 Western Kenya market and for export to neighbouring countries . The products will be pumped through four booster stations with terminals at Nakuru Eldoret and Kisumu and connected by a pipeline submerged under the ground.

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.

The Kenya Pipeline Company Limited following normal tendering procedures has entered into an agreement with Messrs NKK of Japan for the supply of Japanese goods and services at a cost of US \$ 58,355,640... equivalent to K f 63,695,181.05.. Following the agreement with NKK The Export Import Bank of Japan has offered to lend the Kenya Pipeline Company Limited US \$ 58,355,640..... equivalent to Kf 63,695,181.05 for the acquisition of the Japanese goods and services required for the project subject to a provision of a guarantee by the Government under the Guarantee (Loans) Act covering all payments of fees, interest and principal

due from the Company under the loan agreement.

The loan will carry a maturity of13.....years i.e. ...10.....years repayment period and ..3.....years of grace period. Interest on the loan will be payable at the rate of5.7.....per cent per annum. (in Yen) or 8.3 % p.a. in US Dollar

As at6.12..... 19.89.. the Kenya Pipeline Company Limited had outstanding foreign loan of Kf 19,433,909.... (at current rate of exchange) at a rate of Kshs. 21.83 to US \$

The current total contingency liability of the Kenya Government in respect of guarantee given under clause 3 (3) of the Guarantee (Loans) Act other than those specified in the schedule to the Act amounts to Kf.1,065,954,713. With the guarantee of US \$ 58,355,640. equivalent to Kf 63,695,181... proposed in this Sessional Paper, the aggregate will be increased to Kf1,129,649,894..... of which Kf1,043,294,415.... falls within paragraph (b) of section 3 (3) of the Act.



Hon Prof. G. Saitoti
Vice President and Minister for Finance