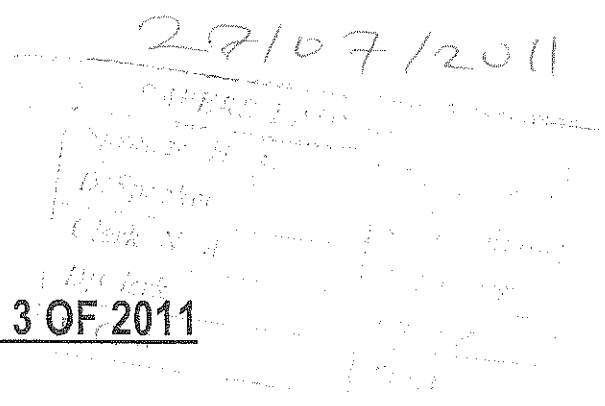




SESSIONAL PAPER NO. 3 OF 2011

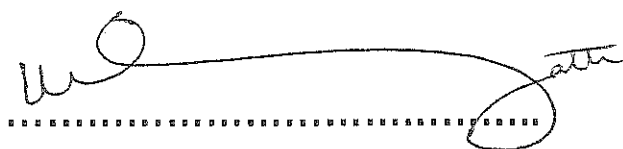
KENYA GOVERNMENT GUARANTEE OF A LOAN OF JAPANESE YEN 29,516,000,000.00 EQUIVALENT TO KSH 33,353,080,000.00 FROM THE JAPAN INTERNATIONAL COOPERATION AGENCY (JICA) TO THE KENYA ELECTRICITY GENERATING COMPANY FOR FINANCING THE OLKARIA 1 UNIT FOUR AND FIVE GEOTHERMAL POWER PROJECT

1. In accordance with the provisions of the Guarantee (Loans) Act Cap 461 of the Laws of Kenya, the following information is laid before the National Assembly for consideration and approval.
2. The Kenya Electricity Generating Company (KenGen) Limited is a State Corporation, established under the Companies Act (Cap 486 of the Laws of Kenya). It is 70 percent Government owned, and falls under the Ministry of Energy.
3. The primary function of KenGen is to generate electricity in bulk for sale to the Kenya Power and Lighting Company Limited which is the principal distributor of commercial electricity in Kenya.
4. With the full support of the Government, KenGen has successfully negotiated for a loan of JPY 29,516 million equivalent to Ksh 33.3 billion from Japan International Cooperation Agency (JICA) to finance Olkaria 1 units four and five geothermal power plant to generate 140MW of electricity.

5. The Kenya Government is, in the context of the national Vision 2030, committed to transforming Kenya to a middle income country by 2030. To realize this objective means, among other things, the country must accelerate economic growth to around 10 percent annually and sustain it at that level for a long period. To achieve and sustain such high growth rates requires ample supply of electricity at competitive prices. At present, there are no such favorable conditions in the country. This project is therefore meant to create a conducive investment climate and enabling environment for economic growth in Kenya. The implementation of the project will contribute an additional 140MW to the national power grid.
6. The loan bears an interest rate of 0.2% per annum, a ten (10) year moratorium and a repayment period of twenty (20) years. A commitment fee of 0.1% per annum will be paid semi-annually on the total unused loan balance.
7. KenGen is expected to augment the total project financing by about 12%. Based on KenGen's past performance and the projected performance, which takes into account cash flows relating to the Olkaria geothermal power plant project, the company will be able to meet its debt servicing obligations.
8. The National Assembly is requested to consider and approve the issuance of Government of Kenya Guarantee for the loan to KenGen of **JPY 29,516 million** equivalent to **Ksh 33.3 billion**¹ from Japan International Cooperation Agency (JICA), a Government of Japan owned overseas development agency.

¹ Exchange rate of Ksh. 1.13 to 1 Yen

9. The current total contingent liabilities of the Government of Kenya in respect of the Guarantee given under sub-section 3 (3) of the Guarantee (Loans) Act, Cap 461, Laws of Kenya, other than those specified in the schedule to the Act amount to **Ksh 84.9 billion**. This request for guarantee of a sum equivalent to **Ksh. 33.3 billion** will increase the aggregate amount to **Ksh 118.2 billion** which is within the ceiling of the guaranteed debts of Ksh 200 billion set by Parliament under sub-section 3 (3) of the Act on 16th June 2011.



.....

Date..22.7.11.....

Hon. Uhuru Kenyatta, EGH, MP
Deputy Prime Minister and
Minister for Finance



.....

Hon. Kiraitu Murungi, EGH, MP
Minister for Energy

Date..19/7/11.....

