

REPUBLIC OF KENYA

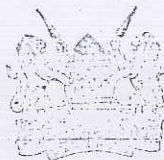
MINISTRY OF FINANCE

- 2 -

withdrawn and outstanding from time to time at the nominal subsidized rate in accordance with Article 95 (2) of the Lome II convention.

4. The Kenya Posts and Telecommunications Corporation is a parastatal of the Government of Kenya which was established under the Kenya Posts and Telecommunications Act, Chapter 411 of the Laws of Kenya. The Corporation will be the Borrower and the executing agency of the proposed project. The Ministry of Transport and Communications is the Parent Ministry which is responsible for the operations of the Kenya Posts and Telecommunications Corporation. The duties of the Kenya Posts and Telecommunications Corporation include the following:-

- (a) establishment and operation of postal services and performance of incidental services relating to the receiving, collecting, sending, despatching and delivering of postal articles;
- (b) establishment and operation of telephone services and performance of incidental services relating to the issuing, receiving and paying of money orders;
- (c) establishment and operation of telephone services and performance of incidental services relating to providing, installing and maintaining of telephone apparatus;
- (d) establishment and operation of telegraph services and performance of incidental services relating to receiving, collecting, despatching and delivering of telegrams, and establishment and operation of radio communication services, regulation and control of radio communication and provision, installation and maintenance of necessary equipment for any other person authorised to operate radio communication.



REPUBLIC OF KENYA

MINISTRY OF FINANCE

- 3 -

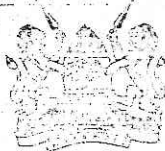
5. This loan is required to finance part of the cost of the Kenya Posts and Telecommunications Corporation's Third Telecommunications Project which is part of the Corporation's 1984 - 1988 Development Programme. The Kenya Posts and Telecommunication Rural Development Programme follows very closely the Government Development Plan and Programmes.

The main objectives of the Third Telecommunications Project are:-

- to improve the quality of domestic and International telecommunication services;
- to increase accessibility of telephone services throughout the country especially rural areas;
- to modernise telecommunications network;
- to provide diversity in telecommunications services;
- to expand and upgrade the long distance network;
- to handle increased traffic;
- to improve engineering and equipment repair workshops;
- to upgrade and improve the corporation's school training infrastructure for improved performance including curriculum development.

The project has been planned for subscribers growth rate of sixteen per cent per annum (16% p.a.) which entails the provision of additional external cable plant and trunk transmission equipment. This plan involves

- The provision of additional 44,700 automatic lines and 3,180 manual lines to the existing network;
- The reduction of line connection/extension ratio from the present 2.4. to below 2;



REPUBLIC OF KENYA

MINISTRY OF FINANCE

- 4 -

- The improvement of the telephone penetration factor for 100 inhabitants from 0.55 in 1984 to 0.96 by 1988.

The total cost of the project is estimated at Kshs. 1,384,600,000.

THE TABLE BELOW SHOWS THE COST SUMMARY

ESTIMATED COST

	Kshs. Million			US\$ million			%
	Local	Foreign	Total	Local	Foreign	Total	
Local Switching network & Subscriber Plant	137.6	518.4	656	8.6	32.4	41.0	47.6
Long distance transmission and Switching equipment	4.8	49.6	54.4	0.3	3.1	3.4	3.9
International Switching equipment and earth station	1.6	30.4	32	0.1	1.9	2.0	2.3
Rural Facilities	12.8	35.2	48	0.8	2.2	3.0	3.5
Telex and Telegraph	11.2	108.8	120	0.7	6.8	7.5	8.7
Buildings	43.2	17.6	60.8	2.7	1.1	3.8	4.4
Power Plants	0.6	12.8	13.4	-	0.8	0.8	0.9
Workshops	4.8	8	12.8	0.3	0.5	0.8	0.9
Training	16	17.6	33.6	0.7	1.1	1.8	2.1
Consultancy	-	16	16	-	1.0	1.0	1.2
Total Base Cost	232.6	814.4	104.7	14.1	51.0	65.1	75.5
Physical Contingency	12.8	40	52.8	0.8	2.5	3.3	3.8
Price Contingencies	96	188.8	284.8	6.0	11.8	17.8	20.7
TOTAL	341.4	1,043.2	1,384.6	20.8	65.3	86.1	100.0



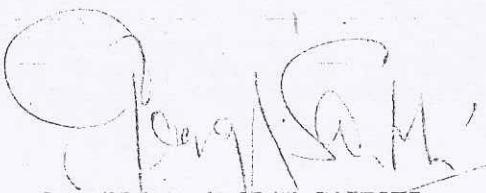
REPUBLIC OF KENYA

MINISTRY OF FINANCE

- 5 -

6. The Government attaches great importance to the development and improvement of telecommunications throughout the country as necessary infrastructure for socio-economic development. The Government therefore requests the National Assembly to approve that Government guarantee the re-payment of the loan referred to in this sessional paper.

7. The current total contingency liability of the Kenya Government in respect of guarantees given under Section 3(3) of the Guarantee Loans Act (other than those specified in the schedule to the Act) amounts to K£448,326,497 of which K£401,142,000 is in respect of covenants expressed in foreign currency as per paragraph (b) and K£46,914,497 is in respect of covenants expressed in Kenya currency as per paragraph (a) of Section 3(3) of the Act.


HON. PROF. GEORGE SAITOTI
MINISTER FOR FINANCE

