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MINISTRY OF FINANCE

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SESSIONAL PAPER NO. 6.....OF 1990.

KENYA GOVERNMENT GUARANTEE OF A LOAN TO KENYA POSTS AND TELECOMMUNICATIONS CORPORATION (KP & TC) BY EXPORT DEVELOPMENT CORPORATION (CANADA) FOR PURCHASE OF MICROWAVE TELEPHONE SYSTEMS

1. In accordance with the provision of the Guarantee (Loans) Act (Cap 461) the following information is laid before the National Assembly for consideration and approval.
2. The Kenya Posts and Telecommunication Corporation is a wholly - owned Government Parastatal, 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 for the Project. KP & TC is accountable to the Ministry of Transport and Communications. Its duties include the following:-
 - (a) establishment and operation of postal services and performance of incidental services relating to the receiving, collecting, sending despatching and delivery of postal articles
 - (b) establishment and operation of money order 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 the receiving, collecting, despatching and delivering of telegrams; and
 - (e) establishment and operation of microwave telephone system installation and maintenance of necessary equipment for any other person authorized to operate radio communication.

The proposed project aims in the provision of long-term financing of the supply, delivery and installation of microwave telephone system associated equipment provision of training service in Canada; and service of



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maintenance staff in Kenya.

4. The Government proposes to guarantee a loan of US Dollars 23.5 million equivalent to Kf.27,100,000 to be made available to Kenya Posts and Telecommunication by Canadian for the purchase, delivery and installation of microwave telephone system; plus training services in Canada.
5. A loan in US Dollar of a tune of US\$23.5 million and 100% of value of Goods and services, would be structured in 2 Traches.

TRANCHE A will be US\$15.39 million which is 65% of the loan amount. Tranche B will be US\$ 8.107 million which is 35% of the loan amount.

6. The loan will be repaid in two Tranches.

Tranche A would be repaid in 20 consecutive semi annual instalments commencing the earlier of six months after commissioning of microwave telephone system installlation and a date to be established. The loan will bear a fixed interest of 9.2% per annum payable semi- annually in arrears calculated on the basis of actual number of days elapsed divided by 360 days on amount from time to time outstanding under option 4.2. The yearly rate of interest to which each of the rates specified above and calculated in the foregoing manner is equivalent to the said rate multiplied by the actual number of days in the year divided by 360.

Tranche B would be repaid in 80 consecutive semi-annual instalments commencing 10 years from the date of the agreement, and would not bear any interest. The interest would be payable semi-annually in arrears calculated on the basis of the actual number of days elapsed divided by 360 on amount from time to time outstanding.

In addition the loan will have a commitment fee of $\frac{1}{2}$ of 1% per annum of the reserved and undisbursed portion of the loan, calculated and payable Semi annually in arrears from time to time commencing from



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the date of signing of the loan agreement; a one-time non refundable administration fee of $\frac{1}{2}$ of 1% per annum on the loan amount payable with in 30 days of date of signing of the loan; and a default interest from both Tranche A and B. Which would be the interests rate on Tranche A plus 2% per annum calculated on the actual number of days elapsed divided by 360.

7. As at 30th June 1990, the Kenya Posts and Telecommunications had outstanding foreign loan of Kf281,404,442 (at the ruling exchange rate)
8. The Government attaches great importance to the development of telecommunication throughout the country as a necessary infrastructural development. The National Assembly is therefore requested to approve the Government Guarantee and the repayment of the loan as referred to above.
 - (a) The current total contingent liability of the Government under Section 3(3) of the Guarantee (Loan) Act, (Other than those specified in the Schedule of the act) amount to Kf1,196,437,886 and with the guarantee of US\$23.5 million equivalent to Kf27,100,000 proposed in this Sessional paper, the aggregate amount will be increased to Kf1,223,437,886 of which Kf83,489,497 fall within paragraph (a) and Kf1,140,048,387 within paragraph (b) of Section 3(3) of the Act.

HON. PROF. GEORGE SAITOTI

VICE PRESIDENT AND MINISTER FOR FINANCE