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LEGISLATIVE PAPER NO. 2 OF 1984

KENYA GOVERNMENT GUARANTEE OF A LOAN TO THE TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY BY THE YUGOSLAV BANK FOR INTERNATIONAL ECONOMIC COOPERATION TO FINANCE PART OF THE CONSTRUCTION COST OF THE KIAMBERE HYDROELECTRIC 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 U.S. Dollars Eleven million four hundred thousand ( US \$ 11,400,000) equivalent to Kenya Shillings One hundred fifty six million (Kshs. 156,000,000) to be made available to the Tana and Athi Rivers Development Authority (TARDA) by the Yugoslav Bank for International Economic Cooperation which has its Head Office in Belgrade, Yugoslavia. The International Bank for Reconstruction and Development (IBRD) and the Grindlays Bank p.l.c. are co-financiers of the Project. Other financiers for this Project are the African Development Bank (AfDB), the Saudi Fund for Development (SFD), the Swedish International Development Agency (SIDA), the Skandinaviska Enskilda Banken (SEB), the Canadian International Development Agency (CIDA), the Kreditanstalt fuer Wiederaufbau (KfW) and the Government of the United Kingdom. The Government will on-lend the proceeds from these loans and grants to TARDA. A further Government contribution in the form of equity in the amount of Kshs. 603.8 million would be used to defray the cost of duties and taxes imposed on the Project.

Funds estimated at net Kshs. 535.5 million to cover the remaining unfunded components of the Project could be provided through a proportion of the development surcharge collected by the Kenya Power and Lighting Company Limited (KPLC).

The total cost of the Project is estimated at Kshs. 4,892.0 million.

3. The loan will be paid within a period of fifteen years (15) commencing in 1983, and will bear interest at the rate of 3 per cent per annum on the principal amount of the loan withdrawn and outstanding from time to time.

The borrower (TARDA) will pay a bank fee equivalent to U.S. Dollars Fifty seven thousand (US \$ 57,000) and a further commitment charge at the rate of one per cent per annum on the principal amount of the loan not withdrawn from time to time, as well as a service fee at the rate of one per cent per annum on the loan disbursed.

4. This loan is required to finance part of the construction cost of the Kiambere Hydroelectric Project which is being developed by the Tana and Athi Rivers Development Authority which is a Government owned parastatal.

5. The main objective of the Kiambere Hydroelectric Project is to assure a firm source of reliable electric generating capacity to meet the growth in demand which is expected to exceed the capabilities of the generating facilities in existence in 1987. The Project would develop indigenous renewable energy resources and create new job opportunities, particularly during its construction period.

A further objective would be to reduce the country's heavy dependence on imported oil.

The Project consists of the construction of hydroelectric generating facilities on the Tana River essentially as follows:

- a) a rock and earthfill dam, approximately 100 metres high with a crest length of about one kilometre, a saddle dam and a concrete-lined spillway and two diversion tunnels about 0.5 km long.
- b) an intake, a concrete and steel-lined shaft and a headrace tunnel 0.1 m in diameter and about 1.1 km long, to connect the reservoir to the underground powerhouse, and a reinforced concrete surge shaft near the downstream end of the tunnel.
- c) an underground powerhouse with two 70 MW vertical Francis turbines, and a tailrace tunnel of about 1.4 km long.
- d) one 220 KV switchyard.
- e) 30 km of 220 KV transmission lines to connect the generating station to the existing grid.

Upon completion of the Project a reservoir with a capacity of about 595 million cubic metres would be available to regulate the flow of the Tana River and carry stored water from a high flow year to the next year. The addition of 140 MW to the system would bring the total capacity, including the 30 MW supply of UER to 692 MW, i.e. an 25% increase in installed capacity. It is expected to produce 910 GWh annually during an average water year which would increase the capacity of the system from 2,702 GWh to 3,602 GWh - a 33% increase in energy output.

A comprehensive environmental study was carried out by the Government prior to the construction of the Upper Reservoir, which is entitled "Upper Reservoir Pre-Construction Environmental Study", dated August 1973. The essential outcome of the study was that it was considered to monitor closely the effect of the hydroelectric projects on the spread of vector borne diseases likely to arise.







