REPUBLIC OF KENYA

MINISTRY OF FINANCE

SESSIONAL PAPER NO .....3.... OF 1990

KENYA GOVERNMENT GUARANTEE OF A LOAN TO KENYA POSTS AND TELECOMMUNICATIONS CORPORATION (KP & TC) BY CHARTERED WEST L.B LIMITED OF THE UNITED KINGDOM AND OTHER BANKS AND FINANCIAL INSTITUTIONS

1.0 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 Posts and Telecommunications Corporation is a Parastatal of the Government of Kenya which has been established under KPTC Act Chapter 411 of the Laws of Kenya. KPTC will be the borrower and executing Agency for the proposed programme.

3.0 The Government proposed to guarantee loans of Swiss Francs 82,176,346 equivalent to Kenya Shillings 1.242 billion. 85% of the loan is to be made available to the Kenya Posts and Telecommunications Corporation by Chartered West LB Limited of the United Kingdom and National Bank Kuwait. The other 15% will be provided by Commercial Credit and Chartered West LB Limited and other banks and financial institutions.

4.0 The Loans

(i) The loans of SWF 69,849,894 equivalent to Ksh.1,055,700,000 from Chartered West LB Limited and National Bank of Kuwait have a maturity period of Thirteen and half (13½ years and will be repaid 20 equal instalments at six monthly intervals after a grace period of 3½ years. The loan will bear interest on the principal amount drawn at a rate of one and a half percent (1.5%) plus the LIBOR (London Interbank offered Rate) of the Swiss Frac fixed for each six monthly period.

The interest shall accrue from the respective dates of drawings. The loan carries a commitment fee of 1/2 percent on the undrawn balance and a one flat arrangement and negotiation fee of 1/2 percent.

(ii) Loans of SWF 12,326,452 equivalent to Kshs.186,300,000 will be provided by Chartered West LB Limited and other Banks and financial institutions. The loan has a maturity period of 7½ years and will be repaid by Eight (8) semi annual equal instalments after a grace period of 3½ years.

..../2

The loan will carry an interest rate of 1½% per annum over LIBOR (London Interbank offered Rate), with a commitment fee of 1/2 per cent on undrawn balances and a flat negotiation fee of 1/2%.

5.0 Purpose of The Loan

The loan is required to finance part of the project for the Transfer of Technology for KP & TC's multipurpose Manufacturing Complex at Gilgil including the supply of Telecommunications equipment and services for KP & TC's on-going rural telecommunications development programmes associated with the Kenya Government's focus on District Rural Development.

6.0 The main objectives of the Project are:

6.1 Transfer of technology and the provision and the setting up of manufacturing facilities at the KP & TC's Multipurpose Manufacturing Complex at Gilgil for the manufacture of telecommunications transmission equipment

6.2 Increase accessibility of telephone services throughout the country especially in the rural areas associated with the Kenya Government's focus on district rural development.

6.3 Modernise the telecommunications network in Kenya

6.4 Improve the quality of Domestic and International Telecommunications services

6.5 Expand and upgrade the long distance network to handle increased traffic

7.0 The Impact of the project:

7.1 Transfer of Technology and Local Manufacture:
KP&TC will have the capability of locally manufacture cost effective telecommunication equipment required for the development of the telecommunications infra-structure in Kenya, potential to generate foreign exchange through the export of such equipment, create employment and a technological base making Kenya the leader in this field in Africa.

7.2 Rural Areas:

7.2.1 A total of 177 automatic telephone exchanges with 58,650 capacity lines are to be installed

7.2.2. Additional 125 manual telephone exchanges with a total capacity of 8,750 lines will also be installed

7.2.3 A total of 2,500 Public Call Boxes are to be installed at various centres throughout the country

...../3

7.2.4 Remote Centres will have Radio call services

7.2.5 Rural telephone density will improve from 0.36 to 0.85 telephone stations per 100 population and a total of 115,000 telephone will be installed by the end of the programme period.

7.3. Urban Areas:

7.3.1 Exchange capacity will increase from 155,350 lines to 306,350 lines

7.3.2 Exchange connections will increase from 107,380 to 263,310

7.3.3 Urban telephone density will improve from 6.94 to 10.14 telephone stations per 100 population

7.3.4 Public call phones will increase from 1,921 to 4,396.

7.3.5 Mobile Telephone network with initial capacity of 2,000 lines will be installed.

7.4 International Services:

Telephone circuits will increase from 377 to 684

Telex circuits will increase by 392

Data packet Switch for telex and data networks will be installed with initial capacity of 1000 ports

8.0 KP&TC will generate substantial funds in Kenya Shillings and foreign exchange through the implementation of this project.

9.0 The Main strategy of the project

9.1 Create a technological and telecommunication equipment manufacturing base in Kenya

9.2 To place an equitable balance between Rural and Urban telecommunication development. Hitherto stress has been put on the extension and improvement of telecommunications services in Urban areas. For various important reasons, it is now necessary not only to continue improving the telecommunications services in Urban areas but also to extend these services throughout the rural areas.

10. The Government attaches great importance to the creation of an individual manufacturing base in Kenya and to the development of telecommunications facilities throughout the country as a necessary infrastructure for socio-economic development. The Government therefore requests the National Assembly to approve that the Government guarantee the Loan of Swiss Francs 82,176,346 equivalent to Ksh.1.242 billion to Kenya Posts and Telecommunication Corporation.

...../4

11.0 The current total contingent liability of the Government of Kenya in respect of guarantees given under section three (3) of the Guarantee (Loans) Act (other than those specified in the schedule to the Act) amount to K£1,097,537,886 and with this guarantee of a sum equivalent of K£62,100,000, the aggregate will be increased to K£1,159,637,886 of which K£83,489,499 will fall within paragraph (a) and K£1,076,148,387 within paragraph (b) of section 3(3) of the Act.

HON.PROF.GEORGE SAITOTI
VICE PRESIDENT AND MINISTER FOR FINANCE