

Kenya Government Guarantee of a Loan to Kenya Pipeline Company Limited by Nisshe-Iwai American Corporation.

THE GUARANTEE (LOANS) ACT
(Cap 461)

In accordance with the provisions of the Guarantee (Loans) Act (Cap 461) the following information is laid before the National Assembly relating to a guarantee by the Government of the obligations of the Kenya Pipeline Company Limited in respect of a loan granted to it by Nisshe-Iwai American Corporation of the United States.

The loan to be guaranteed is for United States dollars seven million three hundred thousand (U.S. \$ 7,300,000) equivalent at the present rate of exchange to approximately KSh 11,230.

The terms of the loan are -

- (a) Maturity - 7 years
- (b) Repayment - in 10 equal half yearly instalments commencing 2 years after the initial drawdown.
- (c) Interest - 2% over and above the rate at which deposits in dollars are offered to the Bank of Tokyo Limited by Prime Banks in the London Inter-Bank Market.

The guarantee to be provided by Government is in respect of both principal and interest and the loan is conditional on this guarantee. The Kenya Pipeline Company is a wholly owned Government company undertaking the construction of the oil products pipeline from Mombasa to Nairobi which is due to be completed by September 1977.

The National Assembly is also being asked in Sessional Paper No.20 of 1975 to approve guarantees to Nissho-Iwai Company Limited a Japanese company associated with the Nissho-Iwai American Corporation and the contracts to supply equipment and to construct the pipeline entered into by the Kenya Pipeline Company with Nissho-Iwai Company Limited were conditional on the latter company arranging this loan for the Kenya Pipeline Company. The purpose of this loan is to finance part of the local cost of constructing the pipeline in Kenya.

Parliament is requested to approve that the Government extend a guarantee of payments of principal and interest to the Nissho-Iwai American Corporation in respect of the loan of U.S.\$7,300,000.

The current total contingent liability of the Kenya Government in respect of guarantees given under clause 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act but including the amounts set out in Sessional Paper No.20 of 1975) amounts to K2235,297,305. With the guarantee of the K23,011,250 proposed by this paper, the aggregate will be increased to K2258,308,555 of which K2149,559,283 will fall within paragraph (a) and K238,749,272 within paragraph (b) of Clause 3(5) of the Act.

Minister for Finance and Planning.

The Treasury,

April.

Kenya Government Guarantee of a Loan to Kenya Pipeline
Company Limited by the Industrial Development Bank of
India

THE GUARANTEED (LOANS) ACT

(Cap. 461)

In accordance with the provisions of the Guarantee (Loans) Act (Cap. 461), the following information is laid before the National Assembly relating to a guarantee by the Government of the obligations of the Kenya Pipeline Company Limited in respect of loans granted to it by the Industrial Development Bank of India.

The loan to be guaranteed consists of United States Dollars totalling two million, six hundred and thirty nine thousand, three hundred and forty (U.S. \$2,639,340), which at the present rate of exchange is equivalent to approximately KSh. 101,924.

The terms of the loan are:-

- (a) Maturity - eight and one half years
- (b) Repayment - fourteen half yearly instalments commencing from June 1978
- (c) Interest - 9 per cent net of withholding taxes which is equivalent to approximately to gross interest of approximately 10.5 per cent.

The guarantee to be provided by the Government is in respect of both principal and interest and the loan is conditional upon the provision of this guarantee.

Other guarantees provided to the Kenya Pipeline Company Limited so far consist of -

KE (approx)

Sessional Paper No.1 of 1975 - Barclays
Bank International Limited - \$10 million 3,571,450

Sessional Paper No.5 of 1975 - International
Bank for Reconstruction and Development -
\$20 million 7,142,860

Sessional Paper No.1 of 1976 - Nissho-Iwai
Company Limited U.S. \$42,258,396
Japanese Yen 2,241,676,392 19,285,496

Sessional Paper No.2 of 1976 - Nissho-Iwai
America Corporation - U.S. \$7,380,000 3,047,780

55,047,556

The purpose of this loan is to finance the purchase of steel tanks from Vijay Tanks and Vessels Private Limited a company incorporated in India. The steel tanks will provide the storage capacity for oil products to be transported through the pipeline.

Parliament is requested to approve that the Government extended a guarantee of payments of principal and interest to the Industrial Development Bank of India in respect of this loan of KE1,101,924.

The current total contingent liability of the Kenya Government in respect of guarantees given under clause 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act but including those set out in Sessional Papers Nos.20 and 21 of 1975) amounts to KE239,308,565. With the guarantee of KE1,101,924 proposed by this paper, the aggregate will be increased to KE239,410,479 of which KE150,661,207 will fall within paragraph (a) and KE88,749,272 within paragraph (b) of Clause 3(3) of the Act.