

Clerk N.A.		
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Kenya Government Guarantee of a Loan to Kenya Pipeline Company made jointly by Lazard Brothers & Co. Limited and Morgan Grenfell & Co. Limited.

## 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 loans granted to it by Lazard Brothers & Co. Limited and Morgan Grenfell & Co. Limited.

The loan to be guaranteed consists of a maximum of sterling £1, 878,454 which at the present rate of exchange is equivalent to approximately K£1,409,000.

The terms of the loans are -

- (a) Maturity - 1982
- (b) Repayment - ten half yearly instalments commencing from 30th June 1978.
- (c) Interest - 7 $\frac{3}{4}$  per cent on the day to day balance of the loan account net of withholding taxes which is equivalent to gross interest of approximately 8.57 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.

The purpose of the loan is to finance part of the cost of engineering consultancy services; the purchase of coat and wrap materials for the oil pipeline; and the purchase of pumps from British suppliers. These services and supplies are all required to complete the construction of the Mombasa - Nairobi oil Products Pipeline being undertaken by the Kenya Pipeline Company Limited, a Kenya incorporated company, wholly owned by the Government.

Other guarantees provided to the Kenya Pipeline Company Limited were set out in Sessional Paper No. 3 of 1976 and amount in total to approximately K£34.15 million, excluding the guarantee proposed in this paper.

Parliament is now requested to approve that the Government extend a guarantee of payments of principal and interest in sterling in respect of this loan from Lazard Brothers & Co. Limited and Morgan Grenfell & Co. Limited.

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) amounts to K£240,908,555<sup>1</sup>/<sub>2</sub>. With the guarantee of £1,878,454 sterling (equivalent to K£1,409,000) proposed by this paper, the aggregate will be increased to K£242,317,555, of which K£153,670,207 will fall within paragraph (a) and K£88,749,272 within paragraph (b) of Clause 3(3) of the Act.

Minister for Finance and Planning

The Treasury,  
22nd July, 1976.